

A Penguin Special

The Labour Case

**Why should you vote Labour?
A Member of Parliament gives
an individual answer**

One of three Penguin Specials stating
the Conservative, Labour, and Liberal
points of view.



Roy Jenkins

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ROY JENKINS

the
LABOUR
case

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PREFACE

THIS book is neither an exhaustive nor an authoritative guide to Labour Party policy. If readers want that they should study the twelve policy pamphlets which the Party has published during the past three years. If they want something less exhaustive but equally authoritative they should at least read the summary pamphlet entitled *The Future Labour Offers You*.

I have not attempted to summarize these pamphlets and to amalgamate them into book form. This would have been a very dull task, and it did not seem that it would be a particularly useful one. What I have attempted is to set down what appear to me the most compelling reasons for voting Labour at the present time. The choice is inevitably influenced by my own interests and predilections. They are by no means the only reasons for voting Labour, and others might easily choose a different list and give a different emphasis. Too much should not be read into my omissions. The fact that I have not written about agriculture or housing or the health service does not mean that I do not regard these subjects as important. But within the scope of a short book I thought it better to develop a reasonably full argument around certain selected points rather than to make a glancing reference to everything.

The selection and presentation inevitably make the book something of a personal statement. Its deficiencies should be attributed to that fact rather than to the faults of Labour policy. I have no doubt that some statements in it would not be accepted by many members of the Party. That does not unduly worry me, provided readers do not imagine that I am committing my colleagues when I am only speaking for myself. When I am discussing Labour Party policy as such I say so. Elsewhere the opinions expressed should be attributed only to me.

It may be thought that these latter sections are therefore of little value. I hope this is not so. There is, fortunately, no rigid orthodoxy in the Labour Party. There is room for a wide variety of beliefs under its umbrella. It may therefore be worth while to set down why one person, holding rather moderate views, believes it to be of overwhelming importance that the General Election should result in a Labour Government.

Mr Ian Gilmour from outside the Labour Party, and Mr C. A. R. Crosland from inside, were good enough to read the manuscript as a whole. Mr Denis Healey, Mr James Callaghan, Mr Robert Neild, Mrs

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G. D. H. Cole, Mr R. H. S. Crossman, Mr Douglas Jay, and Mr Kenneth Robinson have given me their advice on individual chapters; and Mr Peter Webster, formerly of the Labour Party Research Department, operating with a speed made essential by the time-table to which the book was written, has supplied many of the figures and checked others. To all these I am very grateful.

ROY JENKINS

London, April 1959

1. THE ISSUES AT STAKE

ONLY a very prejudiced man would claim that everything was wrong with the Britain of 1959. There is a moderate level of general prosperity, more widely shared than at any time up to 1939, and the country is for many people a very agreeable place in which to live. This is after seven and a half years of Conservative Government. Why, then, it may be asked, should any sensible, unprejudiced person wish to make a change?

The answer falls into three parts. First, the average level of modest prosperity should not deceive us into thinking that there is no poverty left in this country. There is still a great deal of very harsh poverty, which could be considerably alleviated by Government action. This point is elaborated in Chapter 4. Secondly, the fact that conditions are generally fairly tolerable does not mean that they could not be much better. This is not just a question of one party routinely and unconvincingly claiming that, if given the chance, it could improve on the performance of the other. The evidence of wasted resources lies abundantly around us. Not only has unemployment been substantially heavier than in other post-war years, but almost every factory and workshop could produce considerably more with the labour already employed. They have been held back by a lack of demand for their goods, and this lack is a result of deliberate Government policy. For nearly four years now our economy has been running below capacity. As a result, our recent productive performance compares extremely unfavourably both with our trade rivals abroad and with our own record in the earlier post-war years. So far from moving towards Mr Butler's target of doubling the standard of living in twenty-five years, we have subsided into economic stagnation and sacrificed an enormous slice of potential national wealth. We are today nearly 10 per cent worse off than we need be. This point also is more fully dealt with in Chapter 4.

Thirdly, our prospects for the future, unless we make some

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drastic changes, are far from encouraging. During the past year this country has been superseded by West Germany as the second major exporter of manufactured goods in the world. This is not due to some sudden unexpected event. For several years past our share of the world export market has been steadily declining. In 1951 we supplied 21.9 per cent of the world demand for manufactured goods. In 1958 we supplied only 17.9 per cent. When the Government attributes our recent recession to world export difficulties they are telling only a small part of the truth. Our exports did decline (although the recession was attributable much more to Government restriction of home demand), but they have suffered far more from a weakening of our competitive power than from a shrinkage of the markets available.

Why is this? It is not because we work shorter hours than Germany or because our wages have increased faster than theirs. Neither is true (see p. 63 below). Basically it is because our economy is much less dynamic than theirs. Our technological progress, our level of investment, and our rate of growth are all substantially lower than those of West Germany and of many other competitors as well. The failure of the Free Trade Area negotiations and our consequent isolation from the Common Market countries may well exacerbate these deficiencies. There will be a tendency for firms which might otherwise have established or extended plants in Britain to do so in continental Europe instead. There is a real danger that the United Kingdom may become a stagnant economic backwater, cut off from the swift-flowing main stream of European economic growth.

If this happens, the effect on our exports, our standard of living, and our political influence will be disastrous. The prime duty of any British Government in the next five years is to prevent it by pulling this country out of the morass of stagnation. There is no point in proclaiming our role as an imperial power and a unique world influence, or even in boasting of the strength and importance of sterling, if it is all to be done on the hollow foundation of a decaying economy at home. Indeed these grandiose boasts, by straining our resources, are likely to make the decline in our relative position still more rapid. That is one reason why I regret that the Government has so far failed to

associate us with the movement for European integration. Our neighbours in Europe are roughly our economic and military equals. We would do better to live gracefully with them than to waste our substance by trying unsuccessfully to keep up with the power giants of the modern world.

This view springs from no desire to minimize the influence of Britain. It can be both great and good. But our true interests will not be served by pretending that we live in a world which has long since disappeared, when our wealth was as great as our aspirations and a British gun-boat more powerful than the total of Afro-Asian opinion. The chief danger for a country placed as we are is that of living rather sullenly in the past, of believing that the world has a duty to keep us in the station to which we are accustomed, and showing bitter resentment if it does not do so. This was the mood of Suez; and it is a mood absolutely guaranteed, not to recreate our past glories, but to reduce us to a level of influence and wealth far lower than that which we need occupy.

Our own society, like the balance of world power, has changed a great deal in the past twenty or thirty years, and many people have found that their parents' status gives them no automatic guarantee of success or prosperity. But it is noticeable that the more resentful they are of this ill-treatment, the more economically depressed they become; and the more readily they accept the new conditions, the more likely they are to achieve a new success for themselves. The nation as a whole can learn some useful lessons from these individual experiences.

The best prophylactic against this dangerous national nostalgia is a firm faith in the future, a sense of living in a buoyant and expanding economy, and of joining with other similarly placed countries to promote a more sensible, cooperative, and prosperous world. This buoyancy cannot be achieved upon the basis of a stagnant economy.

Of course the Labour Party does not stand only for economic expansion and a touch of realism about Britain's world position. Since its earliest days it has been infused by a desire to promote a more just as well as a more prosperous society. It is a socialist party, and it looks forward to a society in which class barriers will disappear, in which rewards will be equated with service, and

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in which everyone, successful and unsuccessful, will have the opportunity for a full and satisfying life; and it has never conceived of its purposes as extending solely to this country. At the same time it is a practical party. It is quite as much concerned with immediate reforms as with ultimate purposes. These reforms must be in the right direction. Any radical party must specify this, for without a sense of moving towards a goal, the idealism which is essential to the momentum of a left-wing party could not be generated. But the Labour Party does not ask its supporters to buy a ticket for the whole journey. It is always difficult to see how the course of politics will develop. The solution of one set of problems invariably uncovers new ones, the nature of which often cannot be seen in advance. And living as we do under a party system, in which at least two of the parties have firm bases of support, alternating governments will no doubt continue to be the pattern of British politics.

This being so, it is between the policies of the parties for the next Parliament that we have to judge. The Labour policies have been clearly set out. Some of them, contrasted with the Conservative record, are expounded in the following pages. They should be judged on their own merits. If at the end of four or five years a Labour Government, in carrying them out, had made even half as many major blunders as Her Majesty's present Ministers, the electorate would in my view be more than entitled to decide that the time for another change had arrived and that they did not wish to go any further in the same direction. But if, as I think more likely, it was found that these policies had brought great benefit to the people of this country, there would be sense in proceeding immediately along the next lap, which would by then have come clearly into view.

2. BRITAIN AND THE WORLD

FOR a number of years after 1945 the deep foreign policy division between the parties, which was a major feature of pre-war politics, seemed to have disappeared. Ernest Bevin laid down the main lines of post-war policy and rallied the Western Powers against the dangers of Russian expansion. Berlin was defended, NATO was created, and Korea was fought for. It was a policy based on confronting force with force, but it was all done within the framework of the United Nations and with the support of most articulate opinion outside the Soviet bloc.

Such opposition as existed in this country came mainly from the left. The traditional foreign policy attitude of the Labour Party included strands of pacifism and of pro-Soviet feeling intertwined with the main thread of attachment to collective security and the international rule of law. When faced with the choice the Labour Party firmly subordinated the first two to its respect for the rule of law, but not without some emotional strain and sporadic outbursts of opposition. The Conservative Party did not suffer from this particular conflict of emotions, although some of its members were already chafing under the restrictions on British sovereignty which they saw in the American alliance; and the gradual abandonment of Britain's imperial position was never accepted by the Tories with more than a growling acquiescence.

In 1951 Sir Anthony Eden returned to the Foreign Office, and for several subsequent years he competently steered British foreign policy along the course which Ernest Bevin had charted. The main controversies were within rather than between the parties. The issue of German rearmament convulsed the Labour Party for a year or more, but it did not divide the two front benches in the House of Commons. The British withdrawal from Egypt created similar, if less intense, difficulties for the Conservative Party. But the general lines of policy still commanded a very wide measure of agreement. This persisted over the 1955 General Election. Any attempt to suggest that Sir Anthony Eden

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was a danger to peace appeared not only to the electorate, but to most Labour candidates, as a ridiculous distortion of his diplomatic record.

So it was at that time. But 1955 proved to be the last year both of the fifteen-year-old foreign policy bi-partisanship and of Sir Anthony Eden's reputation as a moderate and liberal statesman. The Suez adventure destroyed both. It also introduced a sharper note of controversy into the House of Commons than had been heard at any time since 1914. The merits of the issue are not now the most useful subject for discussion. There must be few who have not already made up their minds where they stand. But it may be stated simply that, in the author's view, Suez was a totally unsuccessful attempt to achieve unreasonable and undesirable objectives by methods which were at once reckless and immoral; and the consequences, as was well deserved, were humiliating and disastrous.

This is a strong statement. But that is as it should be, for it is impossible to appreciate the political consequences of Suez without realizing the impact which it made upon the Labour Party, and particularly upon the more moderate wing. The picture which the Conservative Party likes to present to the world is that of Mr Gaitskell having seized with joy upon the opportunity to make an unpatriotic attack upon the Government in the hope of making a little political capital for himself. It could hardly be more false. Mr Gaitskell and those who thought with him had in fact spent much of the previous five years defending a foreign policy which appeared to be common ground between the parties. They had successfully resisted the desire of some Labour members to make a habit, in foreign affairs, of voting against the Government, and they had worked hard to convince their followers that a portrayal of the Conservative Party as a gang of warmongering imperialists was, to say the least, a little out-of-date.

The shock of discovering that this rejected old portrait still contained something of the truth was therefore great; and it was noticeable that the wing of the Labour Party which had hitherto been the least partisan in its foreign policy approach reacted with the greatest force to Suez. No important section of the Labour

Party was in favour of the Government's policy, but it was the 'moderates' who were most deeply moved, and whose indignation was strongest. They realized that Suez destroyed the whole basis of an agreed foreign policy. The continuance of such a policy might in any event have been difficult. In the new fluidity of the post-Stalin era there has been a natural tendency for the two parties in Britain to move away from each other. The purely defensive line-holding approach to East-West relations, which in 1947-53 was all that could be attempted, has come to appear increasingly inadequate to the Labour Party; and attempts at persuasive advocacy by the present Foreign Secretary have certainly done nothing to close the gap. But it was Suez which gave the psychological shock under the impact of which these growing differences sprang to life. Before the autumn of 1956 both parties expected foreign policy agreement and were surprised when it did not occur. Now the expectation is the other way, and a foreign policy debate without a division is almost as rare as, four or five years ago, was one with a division. If this change in atmosphere be regarded as a bad thing, the responsibility must lie clearly with those who shattered the old assumptions.

Still more important than the cause of the deep foreign policy differences is their nature. They can best be illustrated by reference to the two vital areas of Europe and the Middle East, although the differences are not confined to these two regions. Stemming now from an important difference of approach, they exist, *mutatis mutandis*, all over the world.

The Middle East

First, the Middle East. Nowhere else does recent Conservative policy lie in such ruins. This was the region, it must also be admitted, in which the last Labour Government was least successful in understanding the forces at work and achieving an effective policy. But the Labour Party has learnt a great deal. There is no reason why a future Labour Government should repeat the mistakes of ten years ago or why the Labour Opposition should be nervous of criticizing the far worse mistakes which have since been made by Sir Anthony Eden, Mr Macmillan, and Mr Selwyn Lloyd.

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The objectives of British policy in the region should be clear. They are, first, to prevent the outbreak of any conflict which might spread and involve the major powers; second, to keep the area as free as possible from Russian influence and Communist penetration; and, third, to ensure a free flow of the oil which is vital both to our industry and to our balance of payments.

It would be easier to secure agreement on these objectives than on the methods by which they should be achieved. The Government's approach has been to distrust Arab nationalism, to see it as a possible agent of Communism, and to depend instead on a few client régimes which would accept British protection and a pro-Western foreign policy alignment. The policy of building up these régimes inevitably involved a division of the Arab world between pro-British and pro-Nasser blocs. Until very recently, British official thinking was that the deeper this division, the better it was from every point of view.

This policy found its clearest expression in Iraq. Until the revolution of 14 July 1958, Iraq was ruled by a branch of the Hashemite Royal family, and by a strong Prime Minister, Nuri-es-Said. Nuri had a determined police-state approach to his political opponents, but accepted a British Embassy which was more of a political residency than a diplomatic mission in the normal sense of the phrase. As a result he pursued a strongly pro-Western foreign policy. Iraq, with Britain, Turkey, Persia, and Pakistan, was a founder-member of the Baghdad Pact, and its capital became the headquarters of the organization. But even Nuri had to make some concessions to pan-Arab feeling. He allowed no one to out-do him in the vehemence of his anti-Israeli speeches; and at the time of Suez he found a happy compromise in expressing his disapproval of the intervention by breaking off diplomatic relations with the French, who were not important to him, but preserving them with the British, who were.

As an instrument of Western policy the régime suffered from one fatal disadvantage. It was supported by almost nobody other than the King, the Crown Prince, the Prime Minister, and the British Ambassador. This unpopularity, which should have been clear to the perceptive at a much earlier date, became obvious with the events of 14 July. Hardly anyone was prepared to stand

and fight for the government; and the consequences for its few supporters were most unpleasant. The King, the Crown Prince, and the Prime Minister were all murdered, and the British Ambassador, with the government which he represented, sustained an enormous loss of local prestige. The defeat of Nuri was equated in most Middle Eastern minds with the defeat of Britain.

After the revolution a new and unstable republican régime, headed by General Kassim, an army officer without known political affiliations, came to power. At first the fear of the British Government was that General Kassim would be impelled by Arab nationalism to lead Iraq to close and early union with the United Arab Republic. Such a move, it was thought, would strengthen the anti-British forces in Baghdad; and, to the extent that President Nasser of Egypt was regarded as being under Moscow influence, would provide a means of Communist penetration of Iraq. Colonel Aref, a leader of the revolution and the hero of the Baghdad streets, who became Deputy Prime Minister and Minister of the Interior under Kassim, was seen as the dangerous focus of pro-Nasser influence.

General Kassim, however, quickly liquidated the political power of Colonel Aref. The means by which he achieved this, and the developments which followed, showed clearly how false the British diagnosis had been. To deal with Aref, Kassim leant heavily upon his local Communists, who, following the Moscow line, were opposing any close union with Egypt; and in removing the political power of the Baath – a pan-Arab, moderate socialist party with which Aref was associated – he gravely weakened the effective anti-Communist forces in the country. The pro-Nasser forces in Iraq, so far from offering a route for Communist penetration, emerged as the most effective alternative to direct Moscow influence.

General Kassim himself, meanwhile, has been attempting to sit on a knife-edge. This is always an uncomfortable position and one which nobody is likely to hold for long. Its impermanence has been underlined by continual small shifts of power within the Baghdad government and by the attempted military *coup* which took place in Mosul in March. The best hope for us is that when he or his successor falls off the knife-edge, it will be in the direction

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of Arab unity rather than of Communist control. The acceptance of this choice involves a difficult but essential reorientation of British Government thinking. Gamel Abdel Nasser must be dethroned from his position in the Conservative demonology. But unless this reorientation is carried through, our continuing temptation, even though we can no longer have a client régime in Baghdad, will be to defeat our own interests by persisting in the other aspect of our traditional policy and encouraging every sign of Arab separatism in Iraq. The view that Iraqi nationalism can be run as a rival to Egyptian nationalism is deeply engrained in British foreign policy thinking. It is a policy which is most unlikely to be effective – as an Arab political and intellectual metropolis Baghdad is about as good a rival to Cairo as, in the European context, Belgrade is to Paris. But if by chance it were effective, it would let in still worse dangers.

Jordan was the other end of the Hashemite, anti-Nasser, relatively pro-British Arab axis. There the old régime still exists. This may in part be due to the decision to fly in British troops at the time of the Iraqi *coup*. But it may also be due to the fact that no other country wishes to destroy Jordan and take over responsibility for the barren, oil-less, refugee-laden patch of desert over which King Hussein at present rules. It is often assumed that President Nasser wishes to destroy the Amman Government because it would remove one of his rivals in the Arab world, and that the Israelis also want trouble there because they could then advance their frontier to the more natural line of the Jordan valley and the Dead Sea. Neither assumption is necessarily valid. The Israelis might well count against the strategic advantages of such a move the reabsorption of the refugees of whom they had once got rid and the alienation of world opinion which would be involved in this act of expansion. As Israel can in the long run only survive in the Middle East with the support of world opinion, the latter consideration must be a major one.

President Nasser, on the other hand, believing in accordance with his own mythology that Israel is necessarily and constantly aggressive, might be reluctant to encourage a *coup* which would precipitate a chain reaction. If Israel did move towards the Jordan, Nasser would undoubtedly have to throw in Egyptian forces in an

attempt to prevent such a loss of territory to the Arab world. For prestige reasons he could not afford to do otherwise. But he may well think it safer to preserve his prestige by not encouraging trouble in Amman than to risk it in another land battle with Israel.

Jordan may therefore have a certain accidental stability. Its government may be kept in position, not by its own strength, but by conflicting external forces, rather as a light ball can be kept in the air by playing jets of water upon it from different directions. If this is so, it is much better that we should leave it to these conflicting forces to do their own work. The alternative is to accept a continuing liability to prop up the Jordanian régime. And if we again put troops into Jordan we would be extremely lucky to extricate them as easily as in November 1958.

Furthermore, such a policy would involve singling out the Jordanian Government as almost the only régime in the Middle East we were prepared to support by force. As such it would inevitably appear as our chosen instrument in the region. For such a role its deficiencies are manifest. In the first place it is economically unviable. It could not exist without subsidies from either the United Kingdom or the United States. This is not the fault of the Jordanians themselves, but it is a fact which cannot be ignored. Secondly, it is probably the most unpopular government to be found anywhere in the Middle East. King Hussein may, by his personal courage, have slightly improved the position, but it would probably still be an exaggeration to credit his government with 25 per cent popular support. Thirdly, there is no other capital in the whole Middle East where the government outlook is so subject to wishful thinking and unreal assumptions as Amman.

It would therefore be difficult to think of a less effective chosen instrument of our policy than the present Jordanian Government. If we place any reliance upon it, it is only too likely to break in our hands. It would be much better to leave it to be supported, if this were to result, by the paradoxical effect of the conflicting forces which have been described.

The third state in the Middle East which is of primary importance to Britain is Kuwait. Half our oil imports come from there, and in addition the Kuwait Oil Company (which is 50

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per cent British-owned) makes an important contribution to our balance of payments. Kuwait today is one of the most contradictory states in the world. Its oil revenues alone are sufficient to give it a higher average national income than is enjoyed by the United Kingdom. This is extremely unevenly divided, but enough of it seeps through to the ordinary Kuwaiti to produce some bizarre contrasts between a modern standard of living and an archaic system of government. There are 32,000 motor-cars, mostly of very large American design, amongst a population of 200,000; there is immensely lavish air-conditioning; and there is an education budget of £10m. a year, which, with only 30,000 children in the schools, amounts to the most generous system of popular education to be found anywhere in the world.

Alongside this there is a completely arbitrary system of government. The Ruler is chosen for life from amongst the eligible members of the ruling family – by the other members of the family – and then in theory exercises absolute power. In practice he delegates some of it to his brother sheikhs, but there is no guarantee that they will be ordinarily competent, much less that they will be responsive to popular feeling. There are no representative institutions of any sort, and no regular system of law. At best the courts work upon a rough system of natural justice, and at worst upon the whim of the sheikh who happens to be sitting on a particular morning.

Even if there were no external problem arising from the pull of Arab nationalism, these internal contradictions would be enough to create a high degree of political tension; and it is one which is bound to grow as the new schools produce a larger educated class. A combination of this degree of educational lavishness and a continuing archaism of Government is a manifest impossibility.

In addition, however, there is the external problem. It would be a great mistake to imagine that the Kuwaitis were immunized by their wealth from feelings of Arab solidarity. The politically active groups say that they wish to use their oil revenues for development in the rest of the Arab world, and particularly in Egypt. Despite the proximity of Iraq, it is the pull of Cairo and of Nasserism which is felt in Kuwait. Here again the schools come

strongly into the picture. Many of the teachers are Egyptian citizens; most of the rest are graduates of Cairo University; and they are almost all ardent supporters of the President, with whose portrait they enthusiastically decorate their classrooms.

In external affairs, the Ruler's power is not quite so absolute. Under the terms of an old treaty his foreign relations are carried out by the British government; and in practice he is advised by a British political agent. In the past this advice has been against even the limited concessions to Arab unity which the Ruler was prepared to make. When there was first a question of his joining the loose organization of the Arab League we expressed agitated dismay. This must have been a mistaken policy. Our interest should be to relax the Kuwait tension in every possible way. We should encourage the Ruler to recognize and conciliate the pan-Arab feeling at work in his state; and we should balance the withdrawal of our foolish advice in this field by the insertion of a little wise advice in the domestic field. In strict law we have no standing here, but opportunities could be taken to warn the Ruler that without substantial political reform an explosion cannot be long delayed; and that, great though our oil interests are, we do not believe they would be served by supporting him against the reasonable demands of his own people.

This discussion of the problems involved in Iraq, Jordan, and Kuwait points strongly towards our putting the insanity of Suez finally behind us and making a determined effort to build up good relations with President Nasser. He has his faults as a political leader, of course, and his régime is far from being a model of democracy. But we should not make the foolish mistake of assuming that there is no distinction between one undemocratic régime which nevertheless enjoys very substantial popular support, and another equally undemocratic régime which has the further disadvantage of a negligible popular backing. The present Egyptian régime is firmly in the former category, just as the old Iraqi government and the present Jordanian government are in the latter.

This makes President Nasser a representative figure in a way that Nuri-es-Said never was and King Hussein can never be. As President of Egypt and a strong figure in his own right he is also

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inevitably the leader of Arab nationalism. In addition he is by far the most powerful anti-Communist force in the region. The evidence in favour of this proposition, both in deeds and words, builds up steadily from day to day. Even Mr Selwyn Lloyd, who has only just stopped believing that Nasser is a Communist pawn, must find difficulty in denying its truth today.

This does not mean that Egypt will carry its anti-Communism to the extent of entering into political alignment with the West. On the contrary, President Nasser constantly reiterates his attachment to 'positive neutralism'. But we should be extremely foolish to expect anything more. The salient fact about recent Arab political experience has been the struggle for independence from Western control. With this background, no government could enter a Western military alliance without endangering its own support. Nuri-es-Said undoubtedly hastened his own end by dragging Iraq into the Baghdad Pact. A firmly based and genuinely neutral Arab government offers a far better basis for friendship than one which has undermined its own position by accepting a political alignment quite out of keeping with the feeling of its people.

The ease of improving relations with Egypt and the Arab nationalist movement should not be exaggerated. Suez has left a scar which will not quickly disappear. In addition there is the major problem of Israel. In public no Arab leader will admit any long-term solution other than the extermination of the Israeli state. This is something which cannot possibly be allowed to happen. Israel exists in the Middle East, and does so to some considerable extent on British responsibility. Furthermore it is the most progressive, democratic, and pro-Western unit in the area. However anxious we may be for good relations with the Arabs, there can be no question of achieving them by the sacrifice of Israel. An unresolvable conflict therefore appears to exist.

But the conflict of view is not necessarily as sharp as it looks. In private Arab leaders are more realistic and more accommodating than in public. The more responsible of them know quite well that Israel is there to stay and that a policy of 'driving the Jews into the sea' is for platform consumption only. On the other hand, they are genuinely frightened of a vast Israeli expansion, financed

by American money and militarily aided by the British and the French. This is another legacy of Suez. The idea that the Western powers wish to create an Israel stretching, as it is sometimes put, 'from the Nile to the Euphrates' seems fantastic to us, but it is believed by many Arabs. The extremism of the Arab ambitions on the one hand, and of their fears on the other, offers room for hope that a stabilization of the present position, just because it would be a compromise between the two, has a better chance of winning a grudging acceptance than may at first sight appear likely. A Great Power guarantee of Israeli frontiers, to operate both ways, would have something to offer to the two sides of the Arab-Jewish conflict. Furthermore, the nearer the Arabs come to unity, the more disposed they may be to accept a reasonable approach towards Israel. This would be both because unity would promote a less neurotic mood in the Arab world and because it would remove the temptation for different groups of Arab politicians to vie with each other in the virulence of their anti-Israeli statements. Nuri and Nasser have already played this game. If the Iraqi-Egyptian quarrel is not patched up, Kassim and Nasser may be depended upon to continue with it.

It is easily possible, therefore, to take too hopeless a view of the Arab-Israeli conflict. As has been stated above, we cannot solve it by abandoning the Israelis. But, should the conflict prove more intractable than I have suggested, the fact that we cannot meet the Arabs on this point is surely not a reason for refusing to remove other difficulties. Rather should it be a cause of redoubled efforts to do so. In making these efforts and in guiding the future course of our relations with the Arab world there are four rules we should bear in mind.

The first is that we should abandon the policy of trying to keep client régimes. The second is that we should no longer try to build up one Arab bloc against another. The third is that, while we should not try to be too active politically in the area, we should lean a little towards Arab unity. There are plenty of indigenous centrifugal forces at work in the region, but let British influence neither be, nor appear to be, one of them. The fourth is that we should encourage the oil companies to look ahead, to promote local management and control of the operations so far as this is

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technically practicable, and to recognize gracefully that the trend is bound to be towards revenue-sharing arrangements increasingly favourable to the countries in which the operations take place. In addition, we should try to get an agreement with the Russians limiting the delivery of arms to all the Arab states as well as to Israel. Such an agreement would be far preferable to the shot in the dark, probably motivated more than anything else by continued hostility towards President Nasser, of the government's recent decision to supply arms to General Kassim.

These policies offer no certain guarantee of success. In this immensely dangerous area of the world, where we have already made so many mistakes, nothing can do that. But they offer the best chance of achieving the three objectives – avoidance of conflict, exclusion of Communist influence, and a free flow of oil – laid down at the beginning of this section. Can the Conservative Party carry out these policies? At least they have progressed in the past year to the extent of a complete loss of confidence in their former policies. In time they may progress further. But there can be no doubt that a Labour Government, free from the incubus of Suez and unencumbered by the delusions of grandeur from which Suez sprang, could embrace the new policies much more enthusiastically and with a much better hope of response from the Arabs themselves.

Disengagement in Europe

The second region which must be considered in some detail is Europe. Here also the year 1956 marked a decisive watershed. Until then most people believed that the *status quo* was here to stay, and that this was a tolerably acceptable state of affairs. Germany would remain divided and the pattern of complete Russian domination would continue as far west as the Elbe. But the confrontation of Soviet and American forces on the dividing line, and the threats of massive retaliation by which they were backed, meant that no one was likely to cause a local incident and bring into play the whole apparatus of mutual terror. In these circumstances the duty of the West seemed that of holding fast to its defensive positions, of building up the strength and unity of NATO, and of resisting any Russian proposals which

might result in the whole of Germany slipping into the Communist bag.

This negative, but originally necessary, approach began to be obsolescent from the moment of the death of Stalin in 1953. And the East German revolt of June 1953 undermined another of the assumptions upon which it was based. Soviet control east of the dividing line was not so monolithic as had been thought, and the power to prevent local incidents was not so firmly concentrated in Moscow and Washington. But it was in 1956 that the assumptions almost all broke up. First in importance was the effect of Hungary. The revolt there showed that Russian control over the satellites depended almost entirely upon military force and not upon successful Communist indoctrination. Previously it had appeared that a Russian withdrawal might be almost meaningless, because it would leave behind it a firm apparatus of Communist Party control. Then it became clear that even Red Army tanks firing in the streets of a capital could only just hold the position. Without them the apparatus would be almost valueless.

This made possible a fresh approach to German unity. Previously the *form* of the union had seemed of paramount importance. If this were not satisfactory the Communists of the East might use the new government to establish control over the non-Communists of the West. After Hungary this became a laughable fear. Once the Red Army went, it was the Communists who would have difficulty in maintaining any political position for themselves. Accordingly the stipulation that free elections throughout both zones must be a *prior* condition to any scheme for reunification (which Sir Anthony Eden had put forward at Geneva in 1955 and which the Labour Party had supported at the time) became unnecessary. Provided the Russians were out of the way, the form of the union was no longer a major problem.

This was not the only effect of Hungary. It also showed that the satellites were by no means an unqualified source of strength to the Soviet Union: first, because they needed Russian troops to hold them down, and provided few reliable units of their own; second, because if further upheavals were to be avoided, they could no longer be used as economically exploitable reservoirs

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for Russia itself. On the contrary, they would probably have to be given Russian economic help to make their standards of living a little more tolerable; and this has indeed proved to be the case in the two and a half years that have since gone by. A possibility therefore arose that the Soviet interest in maintaining the East European empire would be less absolute.

The Hungarian revolution also made the tacit acceptance of the *status quo* in East Europe less tolerable. It was never a very inspiring policy, of course. But it was obviously much preferable to an attempt at liberation by Western force, and if the satellite peoples themselves were prepared to accept the situation, it was easier for the rest of the world to do the same. Hungary made more apparent both the misery which existed behind the Iron Curtain and the resistance to it, which might at any moment burst into active revolt. It also made finally clear that the West, short of annihilating Europe, could do nothing to assist such upheavals. Liberation, if it was to come, had to be by diplomacy and not by force.

Within a year of the Hungarian revolt there were important changes in weapon strategy which also helped to destroy the assumptions of the old NATO attitude. First, there was the successful launching of the first Soviet sputnik. Even before this the Russians could probably have replied with equal effect to the use of the thermo-nuclear deterrent against them. But the sputnik brought home the position to American public opinion. And the American Government reacted by moving away from the theory of defence by massive retaliation and towards the strategy of limited atomic war. A means of defending Europe which did not involve the automatic destruction of the United States was sought.

Limited atomic warfare, on the theory of which American and British forces in Europe are now being re-equipped, may provide such a means – subject of course to the proviso that it can be kept limited. But it has heavy disadvantages. In the first place it would probably be more destructive of the area in which the fighting occurred than would a policy of massive retaliation. The exercises in limited atomic warfare which have been conducted suggest that it would result in the total elimination of life in the

areas concerned. This is not a very encouraging prospect for Germany, or even for France, and the switch in American strategy has done much to sow dissension and discontent in NATO.

Secondly, it involves both the abandonment of conventional means of defence in Europe and the dissemination of nuclear weapons amongst a growing number of nations. It will hardly be practical, given in particular the limited manpower resources of the West, to continue for long with forces on the same front when one group can only fight with atomic weapons and the other without them. West Germany (as well as other NATO allies) will have to be equipped with atomic weapons, and the possibility of dealing with even a local eruption without a major holocaust will disappear.

In these circumstances the confrontation of two power blocs across the German zonal boundary becomes less easily acceptable as a long-term prospect. Its danger is greatly increased the more likelihood there is of upheavals on the far side of the Iron Curtain. Another Hungary in Poland would be bad enough. Still worse would be a rising in East Germany after the equipment of West German forces with nuclear weapons. If the Russians suppressed the revolt in the way they did in Budapest, and defeated East Germans were driven up against the West German manned frontier, who could say what the consequences might be.

With these fears in mind, and with the urgent desire also to produce an extension of freedom in Eastern Europe, the Labour Party reacted to Hungary and the other events described above by producing a plan for disengagement in the centre of Europe. Much of the preliminary thinking was done by Mr Denis Healey, but the proposals were developed and propounded by Mr Gaitskell and are in consequence constantly referred to in Europe, and to a lesser extent in this country, as the Gaitskell Plan. The essence of the plan is that Russia should be asked to withdraw from East Germany, Poland, Hungary, and Czechoslovakia, in return for the Western powers' withdrawing from West Germany.

Germany, it is assumed, would then unite itself, and Poland, Hungary, and Czechoslovakia would achieve national independence and freer régimes, although they might well retain many

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Communist features and a desire to remain on good terms with their powerful eastern neighbour. But they would be required to leave the Warsaw Pact, just as Germany would be required to leave NATO. The four countries would become a neutral zone, guaranteed by a security pact between the outside powers. It would not, however, be a fully demilitarized zone. The governments within it would have their armaments level controlled by international inspection and would be required to renounce nuclear weapons; but they would be allowed substantial conventional forces. If this were not so it would be too easy for the Russians, on some excuse, to overrun the neutral area and rapidly to present the Western powers with a *fait accompli*.

It may be objected that the proposed area is either too big or too small. Why should it not be confined to Germany, or, alternatively, extended to the whole of continental Europe west of the Russian border? The first suggestion would be grossly unfair to the West. The Federal Republic of Germany is nearly three times bigger both in area and in population than the so-called German Democratic Republic. The discrepancy in wealth is even greater. From the point of view of power and influence West Germany is a very fair exchange for East Germany and the other three countries. From the narrow point of view of population there is a moderate advantage (51 million to 68 million) to the West.

In addition, however, there is a powerful non-quantitative objection to confining the plan to Germany. If a united Germany alone were neutral and Soviet troops were still against its eastern frontier, there would be a dangerous temptation for her to play off the one side against the other. And Russia, still in control of Poland, would be able to make a very powerful bid for support by offering an alteration of the Polish-German frontier.

The objections to making the plan larger are not so absolute. Some extensions – Denmark for Roumania or Holland for Bulgaria – would be a positive advantage if they could be mutually agreed. But they could not include France. If this were done the discrepancy between the ease of return of the two sides would be too great. The Americans would have gone back across the Atlantic but the Russians would merely have retreated over 500 miles of easy terrain. Their armoured columns could return

within forty-eight hours, and the Americans could do nothing in reply except to threaten to drop H-bombs on Moscow – with the certainty that the retaliation against New York would be equally or more devastating.

As the essence of the plan is its balance, this would be a fatal objection. There is no intention of offering the Russians something for nothing. Nor can they be expected to give something for nothing. This is why we must be prepared to offer the withdrawal from NATO and the neutralization of West Germany. The sacrifice for the West is considerable, and some limitation, in itself undesirable, on the freedom of choice of a reunited Germany is involved. But without it there is no possibility of the Russians' considering the proposition seriously. They will never agree to a united Germany, let alone to a withdrawal from three other satellites, if the bigger Germany is merely going to add strength to NATO. This was the fatal objection to Sir Anthony Eden's 1955 proposal, to which reference has already been made. It was a contradictory proposal. Its basis was an armament-free area in the middle of Europe, but as Sir Anthony stipulated that, after free elections, the all-German government should have full freedom to decide its foreign policy course, the Russians had no guarantee that the neutralization proposal would not be nullified. As a result they were not interested.

What are the chances of getting agreement on the Gaitskell Plan? First, it should be made clear that this is not an idea commending itself only to British Labour politicians. Its main lines are strongly supported by many distinguished Americans, including Mr George Kennan, the former ambassador to Moscow, Mr Walter Lippman, and Senator William Fulbright, the chairman of the Foreign Relations Committee of the Senate. In Germany the Social Democratic Party is in full support, and there is increasing evidence that many Christian Democrats agree with them. On the other side of the Iron Curtain Mr Rapacki, the Polish Foreign Minister, has himself put forward a disengagement plan which, while it could not be accepted as it stands, is sufficiently near to the Gaitskell plan to make negotiation well worth while.

What about the Russians? They must obviously be the key

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factor in any successful negotiation. Would they negotiate with a view to agreement and not merely to propaganda? They have often said they would like disengagement, and on one occasion Mr Khrushchev indicated his willingness for a bargain along the Gaitskell lines. More important than their words, perhaps, is the fact that the plan has much to commend it to them. Eastern Europe, as has been suggested, is a declining asset for Moscow, but the prospect of West Germany armed with nuclear weapons is a very real and increasing threat. They might regard freedom from both as a good bargain.

There can be no certainty in advance, of course. The evidence of Geneva is that the Russians are not at the moment anxious for an agreement on Germany. But they cannot be held to have rejected disengagement, for this is a proposition which the Western governments have never put to them. The American government, influenced partly by its close links with Dr Adenauer's administration in Bonn, has always been cool to the idea. But the British government has done little to press it upon them. Mr Selwyn Lloyd, never distinguished for his imaginative grasping of a new thought, has scoffed complacently at any idea of a fresh policy initiative. As recently as 4 December 1958 he ruled out the essential basis of disengagement. 'Our views on the problem of Germany as a whole have been frequently stated,' he characteristically began - as though the fact that he had got used to defending a policy necessarily made it right; and then proceeded to put forward all the old impossible conditions for reunification, including the absolute right of the new German government to remain in NATO and to possess the same arms as all the other allies.

Mr Macmillan later showed signs of somewhat greater flexibility. Rather less frightened to think than Mr Lloyd, he seemed prepared to recover some initiative for the West by adopting at least part of the Labour plan. This was greatly to be welcomed. The importance of the matter is far too great for the Labour Party to have any narrow sense of proprietary interest. But Mr Macmillan seems to have fallen back. There has been no effective British follow-through at Geneva, and the parties remain deeply divided on this aspect of the European question:

the Labour Party, anxious for a fresh initiative to meet the new opportunities and dangers of the post-1956 situation; and the Conservative Party still clinging to the old rigidities.

The Labour Party and Disarmament

A further advantage of disengagement is that it would be a pilot scheme for disarmament. The limitation of armaments in the neutral zone would be subject to Great Power control. If an effective job of it could be made there, they might be more willing to agree upon a system of inspection and control for their own territories. And there is no aspect of foreign policy to which the Labour Party attaches greater importance than to the achievement of a disarmament agreement which would free the world of the menace of the H-bomb. The Labour Party is not a pacifist party and it does not believe in the unilateral abandonment of our defences. But it is a party which is traditionally distrustful of military solutions, and recoils with peculiar force from the prospect of mass destruction. As a result the development of the H-bomb has posed much greater problems for the Labour Party than for the Conservative Party. Of course Conservatives have no more desire to be blown up than have Labour supporters. But they accept more easily a situation in which world peace is precariously balanced between the most frightening systems of mutual terror which have ever existed; and they are instinctively more ready to accept the conventional wisdom in matters of defence and foreign policy than are Labour supporters. Amongst these Labour supporters there are many who believe the H-bomb to be such a horrible weapon that we should have nothing to do with it. Whatever other countries may do, Britain should cease manufacture and destroy her stockpile.

The Labour leadership, supported by very large majorities at the last two annual conferences, has not felt able to adopt this position. There has been no dispute about the horror of the weapon or the desirability of getting rid of it, but Mr Gaitskell and Mr Bevan have rejected the view that it is enough to deal with the British bomb. Most of the H-bombs in the world – and the ones which are most likely to destroy us – are in Russian or American possession. It is no use pretending that the problem has been

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solved until these bombs, as well as the British, have been banned. And there is not the slightest indication that unilateral renunciation by this country would have any effect upon either Moscow or Washington. On the contrary, by taking ourselves out of the group of nuclear powers, we might lessen our right to be consulted and weaken our power to promote an all-round disarmament agreement.

There is much force in this argument; and there is some confusion about the moral position of many of those who are against the British bomb. Would they, if they had the power, follow our renunciation with an American renunciation, even assuming (which is certainly a fairly safe assumption) that the Russians, left in sole possession of the nuclear field, would take no similar step? Some would answer 'yes' and some would answer 'no'. Those who say 'yes' are at least consistent, but their policy involves handing over a monopoly of effective world power to the Soviet Union. This I would certainly not be prepared to do, and I do not think that many other people would either. The antithesis of choosing between a perhaps temporary loss of freedom and the total destruction of the world is a false one. Provided we keep our heads and work for an all-round agreement, there is an excellent chance of avoiding both of these disastrous alternatives.

Those who do not favour an American renunciation have no claim to moral superiority. There is no virtue in renouncing our own bomb and sheltering under that of the Americans; indeed it is only too likely to lead to the objectionable vice, not unknown to the British, particularly in their dealings with the United States, of self-righteous hypocrisy. This is not to say that there is no case for leaving the manufacture of the Western deterrent to the Americans. There is an economic case, although it is one which needs to be balanced carefully against the possible loss of political influence which might follow. There is also the possibility that, failing agreement on an all-round ban, Britain might be able to use her own renunciation to persuade countries other than Russia and the United States to remain outside the nuclear race. Certainly the prospect of a rapid expansion of the number of powers possessing the H-bomb is highly disturbing. Quite apart

from special fears about, say, Germany, the mere multiplying of the foci of decision substantially increases the chances of a holocaust being started. If Britain could prevent this happening she would be unwise not to do so. Unfortunately, at the moment it looks certain that France, the country nearest to entering the nuclear list, is determined to show she can explode her own bomb. But it would be foolish for a Labour Government to rule out this 'non-nuclear club' approach.

Neither this nor the economic argument constitutes a 'moral' case, however. They are questions of expediency; and the only consistent moral case for unilateral action is the one which rests upon pacifist assumptions; and this, because it would leave the country virtually defenceless, is highly unlikely to commend itself to any British Government. A Labour Government which adopted such an approach would undoubtedly be misrepresenting the views of a majority of the electorate. At the same time, the Labour Party would do well to be tolerant of those whose hatred of the H-bomb leads them to mount a great campaign against the British bomb as being the nearest target in sight. The role of those who protest is rather different from that of those who govern, and the one group should not be too impatient of the other for not accepting its own assumptions.

There is value in a movement which does not allow the Labour Party to forget the horror upon which our defence is founded. But such a movement should not distort the H-bomb policy of the party. The important issue is the desirability of multilateral disarmament. The argument should not be concentrated instead upon the undesirability of unilateral action.

What are the possibilities of multilateral success? Negotiations have now been meandering along for more than four years. It would be idle to pretend that the Russians have been easy to deal with, or that they have not made many proposals in bad faith. But the Western powers have not been urgently pressing for agreement themselves, and Britain has given no clear lead. The Western representatives have grown so used to disagreeing with the Russians that they have found it difficult to judge proposals on their merits. The most notorious example was in May 1955, when the Russians unexpectedly accepted a series of

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Anglo-French proposals and the West forthwith abandoned them. But there have been other failures too. It now looks as though agreement on a limited suspension of nuclear tests may be near. It might have been obtained much earlier, and before many damaging tests were carried out, had Mr Macmillan, in the winter of 1957, not retreated from Sir Anthony Eden's earlier position of being willing to discuss this issue separately.

No one can guarantee success over disarmament. But there is certainly room for a new and more purposeful drive. Particularly if accompanied by proposals for disengagement in central Europe, the chances for major achievement are now tolerably high. A Labour Government, impelled by its whole tradition to enthusiasm for disarmament, would provide such a drive. It would enter these negotiations, as it would enter others, with a willingness to give as well as take and a desire to conclude a bargain which would be advantageous to both sides. But it would not be careless of British interests and it would not be prepared to endanger the defence of this country.

Both parties are subject to temptation in foreign and defence policy. The temptation of the Labour Party is to be too idealistic, to underestimate the role of force, to place too much faith in international institutions, and to overestimate the power of resolutions to solve problems. That of the Conservative Party is quite different. It is to overestimate the role of force, to believe that Britain has a divine right to govern, to scoff at the United Nations, and to throw our weight about in a way which might have been possible (if not very desirable) fifty years ago, but is today merely asking for trouble.

If we ask how these respective temptations have been resisted, we get very different answers from the two parties. In the Labour record we have the defeat of the Berlin blockade, the founding of NATO, the resistance to the Korean aggression, and the launching, necessary in the circumstances, of the rearmament programme of 1950-1. In the Conservative record we have Suez, Cyprus, and Jordan. Judged by this highly relevant test, there is no doubt in whose hands the foreign policy interest of this country would be safer.

3. A FREE AND EQUAL COMMONWEALTH .

NOWHERE do the differences between the two main parties stand out more clearly than in colonial affairs; and nowhere is the Conservative record more blemished. This is not to say that Mr Lennox-Boyd has achieved no successes. Ghana, Nigeria, and Malaya have all moved smoothly to independence. But where things go wrong and difficult personalities emerge, the Tories can turn both very nasty and very foolish.

The Conservative Party suffers from a deeply split mind in its approach to colonial problems. In part this is a difference between one group and another within the party. The arrogant posturing of the old Suez Group inevitably produced a different imperial approach from that of a natural compromiser like Mr Butler, or a shrewd operator like Mr Macleod. But in part, also, it is a conflict not between but within individuals. The bulk of the Conservative Party is influenced, on the one hand, by a desire to achieve successful solutions and by a dim awareness that the Commonwealth can, in the long run, only be held together on a basis of consent; and, on the other, by a persistent belief in Britain's right to rule, by a hatred of any native leader who effectively challenges this, and by an infinite capacity for self-deception about the unrepresentative character of any 'anti-British' movement. The result is a colonial policy based on the interplay of these conflicting emotions. Not unnaturally it often gives us the worst of both worlds.

Cyprus

Cyprus is a clear case in point. To the immense relief of every sensible person an agreement has at last been reached. But it has come at the end of nearly five years of unnecessary hatred, bitterness, and bloodshed. The picture of its own behaviour during the period which the Government now seeks to present bears little

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relationship to the facts. It is simply not the case that Mr Macmillan and Mr Lennox-Boyd have been striving persistently and patiently for a Turko-Greek accord upon the basis of which they could quickly grant Cypriot independence. At the beginning of the recent wave of unrest, the prospects were greatly exacerbated by the bland and often-quoted statement of policy made by the then Minister of State for the Colonies. 'My statement has made it quite clear,' Lord Colyton (then Mr Henry Hopkinson) said on 28 July 1954, 'that there can be no question of any change of sovereignty in Cyprus.' He drove his point home by adding that this would 'act as a limitation' on the suggestion, just made by Mr James Griffiths, that Cyprus should look forward to full self-determination. And he concluded, with a penetrating glance into the future, by saying that he saw no reason 'to expect any difficulties in Cyprus as a result of this statement'.

At this stage the Government was not only determined to resist independence for Cyprus. It was also determined to keep Greece and Turkey out of any discussions. Lord Chandos (then Mr Oliver Lyttelton) said: 'In all British Colonial Territories we do not admit the right of any foreign power, however friendly, to interfere with the sovereignty of the British Crown. Let me make it quite clear that that applies to Cyprus as well as to every other British territory' (28 July 1954). Sir Anthony Eden was even more pointed in excluding Greece: '... as has been made clear to the Greek Government,' he said on 15 March 1954, 'Her Majesty's Government cannot agree to discuss the status of Cyprus.' 'We cannot agree that any foreign Government, however friendly,' he added on 12 May, 'can assume the right to be consulted about one of Her Majesty's present possessions.' How can it possibly be argued, in view of these statements, that the consistent policy of the Government has been to work towards a Turko-Greek accord on Cyprus?

After this inauspicious beginning, the Cyprus situation quickly deteriorated into violence. The difficulties which Lord Colyton had been so confident in not expecting built themselves up with a mounting intensity. Lord Harding, sent out as a 'tough' Governor, attempted a mixture of repression and negotiation. In neither policy was success achieved. At one stage EOKA proclaimed a tem-

porary truce, but when this was foolishly interpreted by the Government as a surrender to Lord Harding's firmness, it was immediately denounced and violence began again.

Archbishop Makarios had emerged clearly as the leader of Greek Cypriot national feeling, and was recognized as such in the abortive negotiations which both the Governor and Mr Lennox-Boyd held with him at the beginning of 1956. But this did not prevent the Government deciding that, if they could not reach an agreement with him, they could at least lock him up. In March of that year he was deported to the Seychelles. With this action the Government tacitly abandoned hope of a negotiated settlement with a representative Cypriot leader. This news was greeted by the Conservative Party, not with sombre acquiescence, but with tumultuous enthusiasm and an excited waving of House of Commons orders papers. As Mr Bevan pointed out at the time, it might have been thought from the reception that we had won a new battle of Trafalgar.

Of course some extremely unpleasant things were happening in Cyprus. British lives were being lost, many of them in highly disagreeable circumstances. And there was some evidence that the Archbishop was not unsympathetic to the terrorist activities of his compatriots. With his beard and his theatrical robes, it was only too easy for the Government to portray him as the worst type of politician-priest, a man whose sanctimonious presence concealed the guilty mind of a multiple murderer. From there it was only a short step to their nailing their colours to the impossible mast of being unwilling ever to negotiate with terrorism. The Archbishop's denunciation of the Cypriot rebel movement must be a prior condition of any further discussions with him.

This was an impossible attitude for at least two reasons. First, because it was based on the assumption that the normal rules of behaviour in a civilized and stable community can be applied in a country struggling for its national independence against the opposition of an occupying power. It would require a very narrow sense of historical perspective to equate with common murderers, those who, in such circumstances, resort to violence. 'If we had done for ourselves what we have done for Italy,' said Cavour after he had promoted the union of his country, 'what scoundrels

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we would have been.' Yet what Englishman would today accuse Cavour of criminal behaviour? Nor is he a solitary figure. Several of those who today attend conferences of Commonwealth Prime Ministers were once up to their necks in sedition. So were the Irish leaders with whom Lloyd George had eventually to conclude the treaty of 1921. So were a variety of men from places as far apart as Boston and Czechoslovakia, who later became national heroes and figures of world renown. If Britain is to remain the centre of a great multi-racial Commonwealth, its Ministers must at least have the imagination to see that, once men like Lord Colyton have been allowed to bang doors, terrorism and national leadership can be the reverse sides of the same coin.

The second point is independent of any moral issue. Whatever view is taken of this, a refusal ever to negotiate with those with blood on their hands is always an untenable position. The Irish leaders already cited are a striking case in point. No men could have been more 'guilty' than Arthur Griffith, Michael Collins, and those of their colleagues who eventually assembled round the table in Downing Street. But even such a formerly intransigent upholder of the Union as Lord Birkenhead had to sit down and negotiate with them. He did so, as did Lloyd George and Mr Churchill, because there was no other course open. There never is in the long run.

Leaders of a national revolt do not lose their popularity because they are jailed, or exiled, or branded as criminals by the occupying power. On the contrary, such treatment almost always reinforces their popular position. The chances of their being replaced by more moderate but equally representative figures are negligible. The alternatives are either to negotiate with them or not to negotiate at all; and so long as the latter choice is made, the only policy which can be applied is one of continuing repression. But no modern British Government can continue with repression indefinitely. Britain is too open to the force of world opinion, and has too many citizens at home with a deeply-engrained liberal conscience, for such ruthlessness to be possible.

Ultimately, therefore, negotiation remains the only possible course. Once the seeds of national aspiration are firmly sown in a colony, the only question at issue is whether a settlement,

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recognizing these aspirations, is arrived at early or late. If it is reached late, much bitterness will have been engendered, many lives will have been lost, and Britain will have suffered the indignity of seeing its Ministers publicly eating their words and standing on their political heads. When this course is followed with a stubbornness which produces several years of civil war, are there not others, besides the so-called terrorists, who have blood on their hands?

Such delay is an infallible recipe for getting the worst of both worlds. In Cyprus it led to a settlement being reached, as it has been well put, 'four years and four hundred lives too late'. It led to the temporary disruption of an important part of NATO. It led to Britain's getting a very bad press in the uncommitted areas of the world. And it led to word-swallowing on a scale unusual even for Mr Selwyn Lloyd. The Government said it would not discuss the island with any other power; but it was eventually almost grovelling in its praise of the Greek and Turkish Governments for reaching the Zurich settlement without even consulting us. The Government said that Cyprus must remain in the Commonwealth; but it has now been left entirely free to leave. The Government insisted that public security, defence, and foreign relations must remain within British control; but they have now been handed over to the new Republic of Cyprus. The Government said that Archbishop Makarios was a criminal with whom they could not deal; but he has now been fêted at the Dorchester Hotel and praised by Mr Macmillan himself. For what purpose, it may be asked, were British lives lost in Cyprus during the past four years?

Surely the least that can be said about this dismal story of foolish delay, unnecessary violence, and degrading verbal somersaults is that it should never be repeated. But can we be at all sure of this if the Conservative Government continues in office? The endemic schizophrenia of the Tories is only too likely to produce repetitions of the pattern.

Malta

We can already see them developing. Malta is a much smaller island than Cyprus, but it is one in which the population are

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equally unwilling to accept a sub-European status. There is also the special problem here of almost complete economic dependence upon the United Kingdom. Without the naval dockyard at Valetta there would have been no possibility of 350,000 people maintaining themselves upon this barren patch of rock, let alone of achieving a higher standard of living than that to be found either in Sicily to the north or in Tripoli to the south. But this relatively high standard of living has in no way made the Maltese indifferent to their political status – and there is no reason why it should.

Three years ago there seemed an excellent prospect of reconciling the political aspirations of the Maltese with the facts of their economic situation. Mr Mintoff, the Labour Prime Minister of the island, produced a plan for integrating Malta with the United Kingdom. It was to become a sort of Mediterranean Ulster, returning Members to Westminster, but at the same time retaining a substantial local autonomy.

The scheme aroused great enthusiasm in Malta. In February 1956 the island presented the rare spectacle of huge public demonstrations at which the Union Jack was waved and not trampled underfoot, and at which the audiences were clamorous, not to move away from Britain, but to move closer to us. It was an opportunity not to be missed, and it was one upon which Mr Lennox-Boyd, in these early stages, seized with reasonable eagerness. The British Parliament, with some Conservative growls, approved the principles of the scheme.

Difficulties then began to set in. Financial negotiations proved to be the stumbling-block, and the Colonial Secretary allowed them to be broken off over a comparatively small sum of money. The fault was not all on one side. Mr Mintoff is not the easiest of men, and he proved himself an inflexible negotiator. But the Colonial Office should have risen above these difficulties. The issues at stake were sufficiently vital for a generosity more than average and a patience more than normal to be called for.

Neither of these qualities were forthcoming from the Government, and Mr Mintoff returned to Malta a disappointed and embittered man. The goodwill of 1956 was quickly dissipated. Mr Mintoff's Government resigned; the Constitution of Malta

was suspended; and he is now a disaffected and potentially seditious figure. But he remains by far the most powerful and representative Maltese leader. What is to happen next? Are we to make an imaginative attempt to retrieve the position, or are we to repeat the Cyprus story on a smaller scale? Will Mr Mintoff (or his successor) have to spend a period in the Seychelles before we eventually negotiate with him a settlement which will be acceptable to Maltese national aspirations?

Central Africa

Central Africa presents a much bigger and more dangerous problem than either Malta or Cyprus. Cyprus was a special problem on its own, but trouble in Nyasaland or the Rhodesias can set alight the whole eastern side of the continent, from Uganda to the Union, and can gravely damage Britain's relations with the wholly- or semi-independent West African states. The prospects for avoiding such trouble are not at the moment encouraging. It is clear that the overwhelming black majorities of Nyasaland and Northern Rhodesia are deeply hostile to the Federation with Southern Rhodesia. Lord Perth, the Minister of State for the Colonies, who recently completed a tour of the region, made no attempt to deny this. The best explanation he could offer was that, when the idea was first mooted in 1951, the district commissioners, when asking the Chiefs and others what they thought about it, did not indicate in advance what answer they were expected to give!

More convincing explanations are not difficult to find. Southern Rhodesia, with its relatively large white settler population, is inevitably the dominant partner in the Federation. And the native policy of the Southern Rhodesian Government, while undoubtedly some improvement on the absolute obscurantism of the South African Government, is not such as to arouse confidence in African leaders. Nominally the aim in Salisbury is racial partnership and not apartheid. But it is a 'partnership' interpreted in such a way that the blacks are heavily discriminated against by the Land Apportionment Act, the Native Affairs Act, the Native Husbandry Act, the so-called pass laws, and other legislation which has been pushed through by a white parliament. Segrega-

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tion exists to a degree which would not now be tolerated in any Southern state of America; and where an attempt was made to break it down and to make a reality of equal partnership, as at St Faith's Farm, the chief instigator of the advance – Mr Clutton-Brock – found himself in gaol. Southern Rhodesia is apparently a dangerous place in which to try to operate the declared policy of the government.

Perhaps the most revealing comment on the Southern Rhodesian approach to the native population was made by the former Prime Minister, Sir Godfrey Huggins, who now sits in the House of Lords under the softly patrician title of Viscount Malvern. 'The Africans,' he told their Lordships in March 1959, 'until they are very much advanced, are all liars.' It did not sound like the best basis for belief in an effective partnership.

In these circumstances, and despite the possible economic advantages of federation, it is not surprising that the African populations of Nyasaland and Northern Rhodesia should be so suspicious of control from Salisbury. Temporarily at least, they prefer to cling to the small measure of protection which they still receive from the British Colonial Office. The events of this March, however, while deepening their suspicions of the Federal Government, cannot have done much to sustain their faith in the Colonial Office. Federal security forces, not a few of their members Afrikaaners recruited from the Union, were sent into Nyasaland to restore order. The disorder which they went to quell was fortunately so limited in scope that not a single European was killed or seriously injured, but they performed their task with such vigour that fifty Africans were shot, more than a hundred, including all the leaders of the Nyasaland African Congress, were arrested, and many of these were deported to Southern Rhodesia. At the same time the Southern Rhodesian Government itself carried out an even larger programme of arrests (the Southern Rhodesian African National Congress was 'swept up' in Lord Malvern's expressive phrase), and introduced into its Parliament one of the most hysterically repressive bills ever to be devised in a British territory.

The excuse for all this was the 'plot' which secret agents claimed to have uncovered in Nyasaland, and the alleged details

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of which have since been published in a United Kingdom Government White Paper. It did not sound a very effective plot. It was only to come into operation after the arrest of the Congress leader, Dr Hastings Banda, a prior condition which the Governor, despite the fact that he was apparently fully apprised of the plans, conveniently fulfilled; and the substitute leader, Mr Chiume, was so prepared for his role of terrorist chief that at the crucial time he was on a slow boat from London to Mombasa.

Nobody can be absolutely certain of the facts or of their significance. Those in England are too far away to judge, and those on the spot are mostly too prejudiced. What is certain is that the Africans in both Nyasaland and North Rhodesia are deeply disaffected with the Federation, that the chances of their peacefully attaining full rights under Southern Rhodesian control are very remote, and that, if we hand over complete control to the white settlers, the most likely prospect for Central Africa is one of violence, bitterness, and even chaos.

It is no use believing that the African National Congress represents nobody except a few hotheads and that the problem can easily be solved by a show of firmness. This is a delusion of a type to which ruling races are unfailingly addicted in their dealings with subject peoples. '... You should have seen the look of relief on the faces of all the other Africans. . .', said Lord Malvern referring to recent arrests. 'He said that he did not understand how this leader (Dr Hastings Banda) could do those things to his people . . . that he had caused great upset and unrest in the country, and that was not the way for a Chief to behave,' said Lord Perth, referring approvingly to the remarks of an elderly native chief whom he had met. Very similar statements were made about Parnell, about Nehru, about Nkrumah, about Makarios, and about every other figure who has ever led a movement for national self-determination. Yet it is they, and not the equivalent of complacent and loyal chiefs, who have always turned out to be the representative figures. With so many precedents to study, even Lords Malvern and Perth might be expected to learn something from the lessons of history.

What are we to do? 1960 is a crucial date, for it is then that the Federal constitution comes under review and we shall have to

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decide whether to maintain any control over Nyasaland and Northern Rhodesia, or to give the whole Federation the same autonomy, under white hegemony, which Southern Rhodesia has long enjoyed. The Labour Party, while accepting that there may be economic advantages to the Federation, has spoken clearly on the point. 'We reaffirm the pledge,' a recent policy declaration ran, 'that dominion status shall not be conceded until all the inhabitants of the Federation have expressed a desire for it through the exercise of full and equal democratic rights.' The declaration went on to urge an immediate extension of African political influence. In Nyasaland there should be a majority of elected Africans in the Legislative Council and African Ministers equal in number to those of other races – a moderate enough suggestion in view of the overwhelming preponderance of the African population. In Northern Rhodesia there should be parity between the Africans and other races in both the Legislative and Executive Councils. In both territories the franchise should immediately be broadened, as a move towards a common electoral roll and full adult suffrage.

This may not be an easy policy to carry out. Lord Malvern concluded his already quoted House of Lords speech with some extremely truculent words. 'But in case there might be a change of Government,' he said, '– I do not want to do any threatening, but I know you are very indignant that we have a little army of our own, and air force and so forth – I should like to say that the people of the Federation have not the slightest intention of surrendering Nyasaland to destruction by its own people, but are perfectly willing, as they come on, to welcome them as a dominantly black state within the framework of the Federation.' The Labour Party has no desire to quarrel with Lord Malvern, Sir Roy Welensky, or any other leaders of the white settlers, but it believes the issues at stake are too serious for a placid acceptance of their myopic views. Territories with an overwhelmingly black population must be governed in accordance with the needs of this population; and the African inhabitants must be encouraged to become the judges of these needs at the earliest possible moment. They are, after all, in their own country, the place where they must live their lives.

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The white settlers have certain rights too, although their stake is much less complete. They have contributed substantially to the economic development of the area and they may have made the standard of living of the black population higher than it would otherwise be. They are entitled to full minority protection. But they must recognize that their long-term position is that of a minority, roughly equivalent to the present status of the Europeans in India, and not that of a governing class, graciously distributing some modest share of political influence to the indigenous inhabitants. Partnership is indeed desirable, but it must be partnership upon a very different basis from that which at present exists in Southern Rhodesia.

The Multi-Racial Commonwealth

Unless this is the determined aim of British policy, however unpopular it may be with some of the white settlers, immense damage will be done to the whole concept of a multi-racial Commonwealth. This is a concept to which the Labour Party attaches the highest importance. One of the greatest achievements of the last Labour Government was the work which it did in this connexion. The voluntary freeing of India and the keeping of the three independent successor states within the Commonwealth were acts without parallel in the imperial history of the world. Not only did they enable Britain to escape a long war of attrition in India, which might have been still more damaging than the Algerian campaign has been to France. They also gave a new character to the Commonwealth and a new authority to its position in the world. Conferences between the Prime Ministers of this country and of the old dominions would no doubt have continued to serve a useful purpose. But they would have constituted no bridge between the West and the uncommitted areas of the world in the way that they now do. The presence at these gatherings of Mr Nehru and the Prime Ministers of Pakistan and Ceylon, reinforced now by those of Ghana, Malaya, and the Caribbean Federation, is perhaps their most important feature.

It should become of still greater importance in the decades ahead. The major problem of world politics in the remaining years of this century will be the relationship between peoples of

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different coloured skins. By 2000 it will almost certainly have transcended in importance the cold war issue of Communism against the West. If this world racial problem can be smoothly and amicably solved, the advantage to everybody will be immense. But it will perhaps be greatest to the white races. Their future will otherwise be bleak. They will move towards a position almost as frightening and degrading as that of the Afrikaners in South Africa today. They will become a hated minority, clinging to their privileges, afraid to mingle with the stream of world progress, and listening with anxious foreboding to the rumblings of the volcano beneath them.

The Commonwealth in its new form is an invaluable instrument for the avoidance of this horror and the achievement instead of a solution based upon mutual respect. This will be its chief value in the future. Strategically it has always been unwieldy. As an association for allowing Britain to pretend to a military power she does not herself possess it will not work. Economically it is by no means an unmitigated advantage. But as a bridge between the races it is as effective as it is unique. The Labour Party would make almost any sacrifice to keep it so.

Like the United States, the Commonwealth cannot exist 'half slave and half free'. Racial equality must apply not only between Prime Ministers, but in Salisbury, Johannesburg, Nassau, and wherever else Governments wish to retain their membership; and the opportunity for full nationhood must be extended as quickly as is practicable to those territories which have not already achieved it. These principles lie behind two of the three policy statements on colonial affairs which the Labour Party has recently published. The first is entitled *The Plural Society* and was directed to the problem of multi-racial territories. These exist not only in Central and East Africa, but in the West Indies, Singapore, Mauritius, and Hong Kong.

The Labour Party believes that these territories must move towards a democracy as complete as that which does, or should, exist in countries where the racial problem hardly arises. This must be upon the basis of universal adult suffrage with one vote to one person. One race, because of its greater wealth or longer political experience, cannot permanently wield an electoral

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influence out of proportion to its numbers. Ultimately, too, there must be a common electoral roll, with no separate, even if equal, franchise arrangements for the different races. This, provided it is not nullified, as in Southern Rhodesia, by a property qualification so high as to exclude almost all Africans from the vote, will be the best political test of the attainment of an integrated, fully democratic society.

In the short run, however, insistence upon a common roll might impede progress. Where various racial groups – and not always only Europeans – are deeply afraid of being submerged and tyrannized by another group, such insistence would merely lead to a heightening of racial tension, resentment against Britain, and the possibility of political chaos. Progress must be determined but gradual. In these circumstances, Britain must maintain some control until the tensions have lessened. It goes without saying that in multi-racial, as in other territories, full democracy implies not only an egalitarian franchise but also the right of complete self-determination. The dependent territories must achieve a freedom as complete as that of Canada or India, freedom to choose a republican or a monarchical form of government, freedom to remain in the Commonwealth or to leave it if they wish, freedom to cooperate with Britain as closely or as loosely as they desire. But the precipitate surrender of complete power might merely result in the permanent subordination of one race to another.

Few would now deny that the 1909 policy of handing over power to the white minority in South Africa, progressive though it seemed at the time to all but a handful of far-sighted people, was a mistake. We are therefore up against a paradox, which has been illustrated by the earlier discussion of the Central African Federation. The rights of native peoples sometimes involve the retention rather than the abandonment of power by the United Kingdom. But such retention must be temporary and its limited purpose kept firmly in mind. A Labour Government would not run away from this duty. In the policy statement already referred to the intention is clearly stated: 'It is therefore the responsibility of Britain to retain ultimate control in all these plural societies until such conditions for the establishment of full democracy exist.'

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One of the purposes for which such interim control should be used is to attack the social as well as the political aspects of racial discrimination. To some extent, of course, this will always depend upon individual attitudes rather than upon governmental policy. But quite a lot can be done by official example. The Labour Party suggests that colonial education departments should be required to accept the principle that all education should be inter-racial, and to begin immediately to implement integration; that where public money is spent on social amenities – youth clubs, recreation grounds, etc. – these should be inter-racial; that all official recognition should be withdrawn from segregated residential arrangements; and that government hospitals and clinics should make a start against discrimination.

The second of the Labour Party policy statements is concerned with the problem of the smaller territories. There are between thirty and forty of these scattered throughout the world. The smallest – Pitcairn – has a population of only 130. Ascension and Tristan da Cunha also have tiny populations, and St Helena is not much bigger. Apart from these minute units, there are many others with populations between 50,000 and half a million. Malta is an example of this latter category, and the special solution which was attempted for this colony illustrates the difficulty with the others. Malta was to be integrated with the United Kingdom because it wanted full political status and yet was too small and too dependent to stand on its own feet. But integration would not be possible for many of the other small territories. They are too far away, apart from other difficulties. Yet it would obviously not be sensible for them to follow exactly the path of India or Ghana. The usefulness of Commonwealth Prime Ministers' Conferences would not be enhanced if they were to become the size of small public meetings, with the 'Prime Ministers' of places often no bigger than English county towns, and sometimes no bigger than English villages, necessarily included.

Yet the smallness of a unit is no argument against its inhabitants achieving full democratic rights. In some cases a solution may be possible through federation, as in the Caribbean, or through integration into a sovereign Commonwealth state which is more conveniently placed than the United Kingdom, as with Newfound-

land and Canada. In a few cases, too, the local inhabitants may see advantages in integration with a state *outside* the Commonwealth. If this is their firmly expressed wish, it should not be resisted. The right to self-determination cannot stop at the frontier of Commonwealth membership.

There will be other territories which will not find a solution in any of these directions. The Labour Party proposes that the old word 'dominion', which has now been in abeyance for some years, should be revived and that these territories should be offered this status. In their internal affairs they would be completely free. In their external affairs they would be encouraged, negotiating as equal partners, to ask Britain or some other Commonwealth country to undertake responsibility for their foreign and defence policies. In this way the whole of the Colonial Empire, whether organized in big units or in small, whether multi-racial or homogeneous, could look forward in the reasonably near future to full self-determination.

The object of Labour Party policy, however, is not just to get rid of the colonies. We do not wish to return to the purely negative mid-nineteenth-century approach of regarding colonies as more trouble than they are worth. We wish, on the contrary, to preserve the Commonwealth as a positive force, and to help to do this by accepting a special responsibility for the economic development of territories which are, or have been, under our control. To some extent, of course, our responsibility is to help in bringing forward all the underdeveloped areas, whether or not they have been under British suzerainty. And many of the Labour Party's proposals, contained in *Economic Aid*, its third statement of colonial policy, would have a general effect, benefiting all backward areas. But our own resources are limited, as is explained in Chapter 4 (where this whole subject is further dealt with), and where we have to choose, it is inevitable that we should feel a greater responsibility for the territories which we have possessed and which in the past we have often neglected or exploited.

Economic Aid makes eight specific proposals. First, a Labour Government would increase the grants to the colonies under the Colonial Development and Welfare Acts. Second, it would

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increase Britain's contribution to the United Nations Technical Assistance Board. Third, it would support the immediate launching of the Special United Nations Fund for Economic Development. Fourth, it would prepare plans to bring the total of our publicly-financed aid to backward areas, including the grants already mentioned, up to one per cent of our national income. Fifth, it would help the colonies to stabilize the prices of their exports by negotiating long-term contracts with them. Sixth, it would seek to give this stability a general application by promoting United Nations action on world commodity prices. Seventh, it would give the Colonial Development Corporation power to operate throughout the Commonwealth, and not merely, as at present, in those territories which remain under Colonial Office control. Eighth, it would encourage the development of colonial cooperatives, both for their social and their economic value.

In these and other ways a Labour government would try to give the Commonwealth a rather greater economic cohesion. But essentially, the role of the Commonwealth is political rather than economic. We wish to work closely with India and Canada and Ghana and the other countries for reasons far transcending those of trade. To do this effectively we must be partisans of racial equality and we must slough off the remaining traces of imperial arrogance. The Labour Party has a great record in the Commonwealth field. In some respects the Conservative Government has built well on the foundations laid under Lord Attlee. In others it has allowed the record to become badly blemished; and in the task of preserving the delicate framework of Commonwealth cooperation there is no room for blemishes. The Labour Party is determined, not merely to preserve but to build up the free Commonwealth as the greatest force in the world for peace and racial understanding.

4. HIGHER LIVING STANDARDS

THE principal fault of the British economy today is that it does not grow. Recently, indeed, the position was still worse than this. Output was shrinking significantly. Industrial production for the last six months of 1958 was about 3 per cent below that for the same months of 1957. During the year as a whole we were able to maintain our standard of living mainly because of the lucky accident of lower import prices. Too much emphasis should not be placed upon this short-term decline, however. 1958 was a year of recession throughout much of the world. Even countries with a production record as brilliant as Western Germany suffered some set-back. The British Government can be blamed for having done nothing constructive to counteract this world movement, but it can hardly be held wholly responsible for it; and as the production of the rest of the world is picking up, ours is doing so too.

The real danger is the long-term trend. Most other countries suffered their 1958 recession at the end of a period of sustained expansion. We suffered it at the end of a period of sustained stagnation. Industrial output in this country hardly rose at all between 1955 and 1958. Elsewhere in the world the position was quite different. During these three years the Soviet Union increased its industrial output by 35 per cent; West Germany by 18 per cent; France by 31 per cent; and Italy by 19 per cent. Nor did our weak performance during these years come after a period during which we had been building up a comfortable lead. We got on our feet more quickly than most countries in the period immediately after the war, and we had two good (but not sensational) years in 1953 and 1954. But if we look at the post-war period as a whole, we have increased our national wealth at a rate well below the average for advanced parts of the world. Performance under the Labour Government was certainly better in this respect than it has been under the Conservatives, but under neither was it such as to justify complacency.

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The same has been true of most of the earlier decades of this century. Neither in the years before 1914 nor in the twenties was British production increasing at the rate of most of our competitors. Our relative position has been cushioned only because we suffered less depression in the thirties than the United States and less devastation in the war than the Soviet Union or our West European neighbours. But the long-term trend has been unmistakable. It has been for other countries to show a more rapid rate of economic growth than we have done; and it is a trend which has been gathering momentum in recent years.

Why Expansion?

How much does this matter, it may be asked. We still have a higher average income per head than most other countries. The United States is well ahead of us, of course, and Canada, Australia, Sweden, Switzerland, and, somewhat surprisingly, Belgium, also have leads of varying size. But the most dynamic economies – Western Germany, the Soviet Union, and Japan – still have national incomes which, in relation to population, are appreciably smaller than ours, and consumption standards which are even more inferior. The industrial climate of Manchester may not be as thrusting as that of Düsseldorf, Stalingrad, or Osaka, but it is one which still gives a higher standard of living to its citizens. Why, at least so long as this is so, should we worry about such abstractions as 'the rate of economic growth'? And even if it ceases to be so, might it not still be sensible to prefer the quiet comforts of Manchester to the brasher consumption benefits of a more dynamic society? If life is tolerable as it is, why should one want to grow?

Unless these questions can be answered convincingly, there would be little sense in the Labour Party putting expansion at the core of its economic policy. There is no point in wanting expansion for its own sake or because it sounds a nice word. There would be no point in getting rid of old shibboleths merely in order to replace them with new ones. Why is economic expansion desirable, and what are the dangers of continuing to eschew it?

In the first place there is no possibility of combining full

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employment and industrial modernization except within a framework of economic growth. Unemployment during the winter of 1958-9 was higher than in any normal period since the war. What is surprising, however, is not that the figures of those without work were as high as they were, but that they were not substantially higher. 1956 and 1957 were years of relatively high investment in British industry. The new factories which were built and the new machinery which was installed should have led to a big improvement in productivity. In a few cases this has been so. The motor industry, which participated strongly in the investment boom, has recently been producing 15 per cent more cars than in the summer of 1955, and with a labour force which is over 20,000 smaller. But this is untypical. In industry as a whole there has been no improvement in productivity. The effect of better equipment has been fully neutralized by the growing tendency to short-time working and production below capacity. Many firms, their thinking conditioned by the labour shortages of the past eighteen years, are 'hoarding' some workers whose services they do not for the moment need. Unemployment at nearly half a million is far from giving a full measure of the underuse of resources which exists today.

This means two things. First, that there will probably have to be a sharp production spurt before the unemployment figure falls below 400,000. Most firms could now probably raise their output by as much as 10 per cent without taking on any more labour. In these circumstances the economic revival which is now developing will have to go some way before it reduces unemployment to the levels which were considered normal between 1945 and 1957. Secondly, there is a danger that if by chance this economic revival quickly petered out there might be a sharp change of mood, a sudden release of the 'hoarded' labour, and a consequent upsurge of the unemployment figures.

In any event the longer-term position is clear. Unless we return to sustained expansion, either productivity will not rise, with dismal consequences for our standard of living and our competitive position, or unemployment will show a steady upward trend. Within the context of a static economy, improved efficiency inevitably must work against full employment.

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Economic expansion, however, should not be seen principally as a means of keeping people at work, as a vast system of outdoor relief. It is required principally for its products, not for its side effects. The main reason why we want more output is that we urgently require the extra goods and services. We want them partly for ourselves and partly to reduce poverty in other parts of the world. Some people would put the second objective first, and would even be nervous of giving any importance to raising the standard of living of a people already as relatively advanced as the British. I do not share this view. Clearly the *average* standard of life in Britain today is much higher than it was before the war, and is enabling many families to acquire tastes and develop expectations which would previously have seemed impossible. But this is an entirely desirable process and one which should quickly be pushed much further. Even the average standard (and an average implies that there are many people below as well as above it) is still well below the American standard on the one hand, or the standard enjoyed by most readers of books (including Penguin books) on the other. We still have only one bathroom to every two households; one motor car to every four families; one refrigerator to every eight; holidays away from home for only half the population; and an average wage of £13 a week, which at present prices certainly offers no material paradise.

There are some who would regard this as a strongly materialistic approach and who would recoil from the 'Americanization' which they think it implies. I do not believe that either criticism is valid. There are no doubt many features of the American way of life which are alien to our English outlook and may even be undesirable in themselves. But to assume that we cannot avoid them (particularly if they are so naturally repugnant to our traditions) without turning our backs on a rapidly rising standard of living, even one particularly associated with durable consumer goods, is surely a classic case of throwing out the baby with the bathwater.

Nor should it be assumed that to make people better off is necessarily to make them more materialistic. For this assumption to be acceptable it would have to be shown that, as one moved

down the income scale, there was a steady improvement in spiritual values. Clearly the acquisition of a washing machine is not in itself going to make a woman either more concentrated upon the higher values or even more happy. But it is nevertheless true both that the satisfaction of material wants is at least as likely to free people's thoughts from material things as to concentrate them there, and that there is a vast addition to the possibility of human comfort and happiness which, in this country, could still be made by the provision of more wealth. Generally speaking, those who themselves enjoy living standards which are above average should be extremely cautious about pointing out to others the corrupting effects of the motor-cars or the refrigerators which they themselves have long possessed.

There is one other point in this connexion, and one made with great force by Mr C. A. R. Crosland in his book, *The Future of Socialism* (Cape, 1956). Higher living standards almost automatically have a socially equalizing effect. There is a far less keenly felt difference between a rich man in a Cadillac and an ordinary man in a Chevrolet than between a rich man in any sort of a car and a poor man whom he sweeps into the ditch as he drives along the dirt roads of a subsistence-level country. To the extent that we wish to see a less stratified society, accomplished without envy, a general upward move in living standards is the best possible instrument.

Does Poverty Still Exist?

So far we have been discussing the case for a rapid improvement in the *average* standard of living. But it is not only the average which counts. It would be a great mistake to be so dazzled by the improvements since 1939 as to believe that poverty had ceased to exist in Britain. It is less geographically concentrated than used to be the case, and, partly for this reason, much less obvious. It is also less associated with the occupation of the chief wage-earner and more associated with family circumstances. But it is none the less real and none the less widespread for these reasons. Most of the improvement since the thirties in working-class standards of living has been brought about, not by better social services, but by full employment. It follows that those who are

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unable to float on the full employment prosperity wave – the old (who have retired without the support of a good superannuation scheme), the chronically sick, the widows, and the deserted wives who cannot work because they have young children, and the mentally handicapped, to take only a few outstanding examples – fall far below the modest prosperity which has now become the average. And to these groups, whose misfortune arises more from personal than from occupational hazards, there must now be added the workless in areas like Lancashire, Scotland, and Wales where chronic unemployment has again become a reality even for the able-bodied. Where this occurs, the unemployment pay on which the displaced worker will have to rely bears a lower relationship to average wages than was the case either in the thirties or in the years before 1914. The plateau may be higher, but the crevices are as deep and as numerous, even if more concealed, than ever before.

Mr Peter Townsend, a lecturer in sociology who has contributed one of the best and most disturbing of the essays which appeared recently under the title of *Conviction* (Macgibbon and Kee, 1958), believes that we are now dealing not with a submerged tenth but with a submerged fifth. The number of those 'with special difficulties over a long period, who cannot and could not be expected to overcome their problems on their own resources' are, he argues, nearer to ten million than to five million. There may be room for dispute about these figures, but there can be no doubt that several million people in this country are today suffering acute hardship of a type which could be substantially relieved by more money. Their lives might in any event remain more miserable than the average, but an improvement in their material circumstances would nevertheless take some of the edge off their deprivation.

Any believer in social justice, or indeed any believer in a civilized society, must surely give a high priority to providing such an improvement. Some, including Mr Townsend himself, would give it an absolute priority. They would deny the right of those whose standard of living is already at or above the average to any further improvement until the submerged fifth had been given more or less equivalent benefits. I would not accept this extreme

position. Neither the economic policy of a nation nor the political programme of a party is likely to achieve a successful dynamism if it is based solely upon the assistance of lame ducks. What is necessary is to attempt both tasks at once: to destroy the islands of acute poverty which still disfigure our society, and at the same time to offer a continuing improvement to those who have already attained average prosperity. A simultaneous advance on these two fronts means that we cannot afford the wastage involved in the stagnation of the past few years.

At the same time we have obligations to underdeveloped areas. Here we are dealing with poverty of an intensity which makes even the problem of our own submerged fifth seem relatively small. Many British colonies have a national income per head which is less than a tenth that of the United Kingdom; and the problem is not confined to the British Commonwealth. Nor can it be convincingly argued that income levels are unimportant where a simple pastoral life is the accepted pattern of society. This poverty brings in its train an appalling toll of unnecessary, debilitating disease; and the suffering this causes is in no way diminished by the simplicity of the life lived.

Here again it could be claimed that the moral course would be to give an absolute priority to the needs of these areas. Until we had effected a significant improvement in the standard of living in India, or in Jamaica, or in Iraq, there should be no increase in the United Kingdom rates of National Assistance, let alone in the number of families owning motor cars. This again would, in practice, be an impossible approach: first, because it is doubtful whether any efforts we made here could, independently of the rest of the world and of the United States in particular, make much impact upon a problem as vast as that of Indian poverty; secondly, there is the difficulty that many underdeveloped areas combine with their poverty a high degree of inequality. Their rich men are far better off than the average inhabitant of this island. We cannot tell them to promote more internal equality – they would resent it if we did. But this being so, the average British citizen can hardly be expected to accept an absolute stop on his standard of living for a policy of which one result would be to benefit men richer than himself.

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Thirdly, there is nothing more important for the under-developed areas than that Britain and other industrial countries should maintain a high level of economic activity and consequently generate a high demand for raw materials and other imports. The 10 per cent fall in world commodity prices during 1957-8 took more away from these areas than they were receiving from all the aid schemes put together. In theory it should be possible for Britain to use her resources to the full, independently of the use to which the products might be put. But in practice it would be extremely difficult, in a free society, to maintain continuing buoyancy without rising consumption at home.

Once more, therefore, we are confronted not with an absolute choice but with the need to strike a balance between a number of objectives and to make some contribution towards each of them. The Labour Party has suggested that Britain should make a minimum contribution from Government sources of 1 per cent of the national income – about £180 million at present – towards developing backward areas. It is a modest enough suggestion in view of the size of the problem. But it has to be added to other commitments which are already substantial. The purpose here is not to consider how we can pay for the Labour Party's plans. That is done in Chapter 8. Here the purpose is to show the wide range of urgent uses for any additional output which we can produce.

Our national income is now about £1,700 million lower than it would have been had the expansion of 1953 and 1954 not turned into the stagnation of late 1955 and the subsequent years. This is a formidable sum. It is equivalent to £2 a week for the average family.

This would be a big sacrifice at any time. But to make it while there is still so much poverty in Britain, while there is an eager and reasonable desire on the part of the rest of the population for a further rapid expansion in the standard of living, and while colonial needs are so great, is both stupid and wrong. The need for economic expansion is not merely a new shibboleth for the Labour Party, or even a useful stick with which to beat the Government. It is urgently necessary because we urgently need its results.

Economics and the World Struggle

There is a further issue. Earlier in this chapter the point was made that we still enjoy a standard of living higher than most other countries, including those with the most dynamic economies. If present trends continue, this will not long persist. Germany is already close behind and will probably overtake us within a few years. The Soviet Union is equally likely to be ahead by the middle or late sixties. By the eighties or nineties certainly Japan, and possibly China also, will have left us behind. In one sense these developments may be held not to matter. The absence of a refrigerator in Cardiff should not cause more hardship because there are plenty of them in Kobe. But the impact of living standards, not merely between neighbours, but also between nations is at least partly relative. It is not only envy which makes the sense of deprivation more acute if others are enjoying that which cannot be had.

Beyond this there is the question of Britain's position in the world. This book is partly a tract against prestige politics. Whether in the diplomatic, the military, or the economic fields it is foolish and self-defeating for Britain to pretend to a power she no longer possesses. But this does not mean that we should act in such a way as deliberately to minimize our true influence in world affairs. Yet this is what a policy of restricted output inevitably involves. In the long run there is no factor which more accurately determines a nation's position in the world than its industrial potential. Between 1914 and 1944 America replaced Britain as the major world power. This was not due to the brilliance of Washington diplomats, the skill of New York bankers, or the bravery of United States marines. It was due (with a slight delay) to the fact that the American economic base, which in 1890 was about the same size as the British, had by 1938 grown to twice our size. Within Europe there was the same shift of balance between France and Germany, with the position temporarily obscured at the end of two wars by the support which France received from her allies.

Is the second half of the century to see the Soviet Union gaining power as steadily, and for the same reasons, as the United States

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gained it in the first, with Britain dropping further behind, with the United States itself losing its lead, and with the non-Communist world seriously represented in the competition only by Germany and Japan – two inevitably slightly suspect candidates? This is not just a question of our position in some fictitious international league table. The struggle for the uncommitted areas of the world – Africa, the Middle East, India, and South East Asia – will be decisive both for world peace and for world freedom. In this struggle the West, handicapped by its imperialist tradition, has already found the Soviet Union a dangerous enough adversary. During most of the cold war, living standards in Russia were dismally low and the Soviet Government was unwilling to spare more than token amounts for overseas economic assistance. But there were nevertheless plenty of people in these areas who responded to the appeal of Moscow. If the Soviet Government becomes able on the one hand to display a higher internal standard of living than is to be found anywhere in the West, and on the other to offer aid of an unparalleled lavishness, how many more are likely to respond? Would it remain possible to hold the situation at all under these circumstances?

To the extent, therefore, that the West as a whole (of which we are an important part) falls behind in the race for economic growth, the chances of Communist world domination are enormously increased; and to the extent that Britain herself falls behind, whether in relation to the East or the West, it becomes more likely that we shall sink, not merely out of the front rank of world powers, but to a category of influence lower than the most dismal pessimists have yet thought possible.

The Economic Consequences of Mr Thorneycroft

This being so, why have the leaders of the present Government allowed these tendencies to develop? Why have they created four years of stagnation? They are not anxious deliberately to reduce Britain's influence in the world. Their actions, indeed, are often based on the rash assumption that we still enjoy a power and an independence of world opinion which disappeared many years ago. This consideration apart, however, why should they

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voluntarily sacrifice £1,700 million of national income? They are neither fools nor knaves. What compensating advantage did they believe they were achieving?

The answer is that they believed they were curing inflation. In the summer of 1957, with Mr Thorneycroft at the Treasury, the Government became obsessed with the problem of rising prices. In a sense this was not an unreasonable obsession. It developed towards the end of a six-year period of Conservative rule during which the internal price level had jumped up by over 30 per cent, and Britain had led the world in the declining purchasing power of its currency, if of little else. These years had been preceded by six years of Labour Government during which prices had also increased at about the same rate (although against the background of a world situation so different that the British price level was then the most stable of all comparable countries); and by six years of war during which the rise was even steeper. There seemed a real danger that a five per cent annual decline in the value of the pound would become a settled expectation. With the acceptance of this would go a general decline of confidence in the currency.

The Conservative Government reacted to the prospect by making two assumptions. They decided that wage increases were the principal cause of the inflation; and that these could only be controlled if the economy were damped down by credit restriction and other means. If there were a slack labour market, employers would be less inclined to grant wage increases and trade unions would be more nervous of pressing their requests. Ministers saw a sharp choice between rising production and stable prices, and decided that the time had come to choose the latter. Had these been the true alternatives, the choice would indeed have been a gloomy one. Continuing rapid inflation would be at best highly inconvenient, and at worst gravely damaging, not only to the fixed income groups, but to the economy as a whole. But a cycle of decay might be even worse. The Government had no difficulty in choosing, however. Ironically, they adopted a position which they had previously accused the Labour Party of occupying. They decided against inflation mainly because of its harmful effects upon the fixed income groups. By so doing, and paying the price

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of a stationary national income, they proclaimed themselves more interested in the division of the national cake than in increasing its size. Nor could they have claimed that they were merely decreeing a temporary pause before encouraging the economy forward to new heights of productive endeavour. The decision to tighten up came, not at the end of a period of massive expansion, but when stagnation had already persisted for two years. In these circumstances it was a policy, not of *reculer pour mieux sauter* but of *reculer pour mieux reculer*. Even now, when Mr Heathcoat Amory has substantially retreated from the excesses of Mr Thorneycroft, little more is being attempted than a return to the pre-1957 plateau.

Had the inescapable choice been between more inflation and more production, it would of course have been an extremely difficult one for the Government to make. But all the evidence points to this being a completely false antithesis. Without a return to the harsh deflation and mass unemployment of the early twenties or early thirties (a remedy so drastic that the Government shows no taste for it), inflation is much more controllable with rising production than with static production. It is natural that this should be so. With reasonably full employment, wages show a tendency to move up every year. This happens not only in Britain but in every other industrial country with free collective bargaining. And why should it not? Quantitatively, wages are the most important factor in determining the amount which, as a nation, we pay ourselves for the work we do. But they are not the only factor. Dividends and salaries are also factors, and ones which recently have increased fairly rapidly. In every year since the Conservative Government has been in power dividends have increased more than wages, and in several they have increased three times as much. Trade union leaders responsible for wage negotiations naturally keep these other factors in mind. If they did not, the relative position of their members would soon decline.

Quite apart from these relative considerations, however, wages might be expected to move up because wage earners (like other sections of the community) want a rising standard of living and, as there are practically no examples of free economies combining

falling prices with prosperity, see increased wages as the only way to obtain it. The objective is certainly not unreasonable. Mr Butler, after all, in the days before the last General Election, held out the bait of doubling our standard of living in twenty-five years. But the point is not so much what is reasonable, as what happens. And what happens is that wages tend to go up. Between 1954 and 1957 they rose by 24 per cent in France, 15 per cent in the United States, 27 per cent in West Germany, and 23 per cent in the United Kingdom.

What is significant from an inflationary point of view, however, is not the rate at which wages increase but their movement in relation to productivity. It is the labour cost per unit of output which counts. If a motor worker's wages rise, this will tend to put up the price of cars only to the extent that his output does not rise with them. If they both grow together there is no inflationary element. When we come to consider from this point of view the four countries mentioned, their experience ceases to be common. In both France and Germany output bounded ahead during the years between 1954 and 1957. As a result their prices remained relatively steady (a 6 per cent increase in Germany and a 4 per cent increase in France) and almost the whole of the wage increases were reflected in an improvement in the real standard of living. Real wages (i.e., allowing for changes in the cost of living) rose by 15 per cent in Germany and 17 per cent in France during the three years. In the United States, where the growth of productivity (and the rise in wages) was somewhat smaller, prices rose by 3 per cent and real wages increased by 10 per cent. In Britain, on the other hand, with a productivity increase of only 2 per cent the greater part of the wage increases were reflected in higher prices (a rise of 14 per cent) and not in real wages (a rise of only 7 per cent).

The deduction is clear. What was common between Britain and Germany during these years was a rise of about a quarter in money wages. What was different was that in Germany it was allowed to float on a wave of increased productivity and that here it was not. As a result we had severe price inflation and they did not. Nor was there any question of our lower rate of productivity increase being due to a lack of effort. In 1957 the average

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hours worked per week were 46.4 in the United Kingdom and 43.1 in West Germany. In the United States the figure was only 40.5. It was due on the contrary to a deliberate (and announced) Government policy of holding back the economy.

In these circumstances the Thorneycroft policy of attempting to cure inflation by a stiffer dose of the medicine which had failed seems very curious – more particularly as there soon became available the spectacle of the United States taking it so stiffly that it gave itself 5,000,000 unemployed (the equivalent of 1,700,000 here) and still failing to keep either its prices or its wages steady. Nevertheless the tougher policy was applied in Britain, and we moved, as a result, from stagnant production to falling production. But, it may be asked, have we not also moved on to a new plateau of relative price stability?

Yes we have, but not as a result of the Government's restrictive policies. In the early summer of 1957 (coinciding with Mr Thorneycroft's pin-pointing of inflation as the main threat) most of the world moved into a more deflationary phase than it had known since the war. As a result the prices of our imports fell by 12 per cent in the following eleven months. Our export prices remained stable over the same period, and the consequent striking improvement in our terms of trade has been the main reason why many people have been able to enjoy a slowly rising standard of living while production has been stationary or falling.

The decline in import costs had a powerful downward effect upon prices. It should have been enough to cancel out a 7 per cent rise in wages. Even had wages risen to this extent (in fact they rose by a little less than 5 per cent during these eleven months), it should have been possible, given any increase in productivity, to have made 1957–8 a period of falling prices. The Government's achievement was to tighten the paraphernalia of the credit squeeze and hold back production, in order to limit the price rise to 2 per cent – at a time when almost any other policy would have produced not merely stability but falling prices.

It is therefore fair to say, on the evidence, that economic expansion is more conducive to a steady price level than is stagnation or decline – unless the latter is carried to a length for

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which no Government is now prepared. There is the separate question of whether expansion is compatible with a strong balance of payments position and a pound which is secure on the foreign exchange markets. That is dealt with in the next chapter. In this chapter I have been concerned to argue why economic expansion is desirable – not how it is to be obtained. The reasons given can be summed up as follows: expansion is desirable because we desperately need its products to improve our standard of living and to play our part in assisting underdeveloped areas. It is also essential to the maintenance of full employment, as well as being the key to our future influence in the world, and offering by far the best chance of combining free wage negotiation with a stable price level. These are formidable advantages to the policy which, for the four years since the last General Election, the Conservative Government has failed to implement.

5. HOW TO END STAGNATION

THIS chapter discusses the means by which expansion can be achieved. There are two main parts to the discussion. First there is the problem of how we can escape from the dilemma that if we use our productive machine to the full this will weaken the international position of the pound. Second is the problem that our productive machine, even if fully used, is not as strong as it ought to be.

The Problem of Sterling

The first point is something of a paradox. The layman's natural assumption would be that a currency gained strength from the productive performance of its home economy. Why else has the dollar been so firm since the war (except during the past year of American recession) and the mark so desirable since the 'German miracle' got under way? Yet apparently the same considerations do not apply to Britain and sterling. 'Although the economy is capable of meeting a higher level of demand this year than is likely to be made on it, we are not in a strong enough position yet to resume a policy of general expansion.' This was one of the key sentences in Mr Heathcoat Amory's 1958 Budget speech. It meant that he was still suffering from the second of Mr Thorneycroft's obsessions of the previous year – the belief that if our economy showed any signs of growth every international banker from Zürich to Hong Kong would scuttle out of our currency; and that to prevent this happening we should resign ourselves to a further period of restricted production.

Mr Thorneycroft's obsession was a double paradox. It is reasonably easy to see that, in certain circumstances, a very high use of a country's resources might impose a strain upon its balance of payments and thus weaken its foreign exchange position. High investment, beyond a country's own resources, as in the United States in the second half of the nineteenth century or in Canada or India today, almost inevitably produces an adverse

trade balance; and, except to the extent that this can be financed by international lending, leads to a strain upon the country's currency. Equally, a great consumption boom, as in Britain in 1955, can have the same effect. Goods are sucked away from export by the pull of an over-stimulated home market; and imports rise more than proportionately to production because home supplies of some key goods – coal and sheet steel were the outstanding examples in 1955 – may not rise quickly enough to meet the increased demand upon them.

In 1957, however, neither of these considerations applied. Investment had risen to a higher level than in the previous years, but it was still lower (as a proportion of the national income) than in most European countries, and should in no way have been beyond our capacity without loans from overseas. Nor was a major consumption boom – or indeed any other sort of boom – in progress. There were already unused resources in the country, although not as many as today. This lack of strain was fully reflected in our balance of payments. In the second half of 1957 we earned a surplus of £154 million – the best result for this normally more difficult six months which had then been achieved in any year since the war.

Why, in these circumstances, should we have suffered an acute foreign exchange crisis, lost a quarter of our gold reserves, teetered to the brink of devaluation, and apparently saved ourselves only by a 7 per cent bank rate and an announcement to the world that we were prepared to turn stagnation into recession? The answer the Government liked to give was that our continued inflation at home was causing foreigners to lose confidence in the pound. It was not a wholly plausible explanation. Admittedly, under the Government's own stewardship, our prices had been rising more rapidly than those of other countries. But in the summer of 1957 several other countries were beginning to move in the same direction. Germany, in particular, after a long period of near stability, was showing a noticeable price increase. Her price performance in relation to ours was worse in 1957 than for several years past. And Germany was of particular significance, because the exchange troubles of that year arose principally out of a movement *in favour of the mark and against the*

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pound. As the major explanation of the speculative crisis of 1957 British inflation is therefore unconvincing.

What then was the factor which made our gold reserves more vulnerable than those of other countries? Principally it was that we were trying to make our currency do too much. It is the frequent boast of the present Government that half the world's trade is conducted in sterling. This is a claim which cannot be based on much more than a guess, but even if accurate, it is remarkable for its foolishness. The currency in which a trade is conducted does not determine who sells the goods. If a half of the total is done in sterling, then substantially less than a half must be done in dollars, and still less in marks. Yet the exports of the United States are more than twice those of Britain, and the exports of West Germany have now pushed ahead of ours. What does follow from a position in which, say, the Egyptians use our currency to trade with the Russians is that there is always a lot of loose sterling lying about the world. So long as confidence is high, many foreigners are prepared to hold our currency. But as soon as we run into difficulties, they are all in a position to switch to another. The consequence is that sterling is much more susceptible to changes in speculative opinion than are most other currencies.

Of course we gain some advantage from being in this position. The City of London, as the base of a great, widely-used world currency, performs some business functions and earns some foreign exchange which would not otherwise be available to it. But these gains should not be exaggerated. Their size was the subject of considerable controversy a year or so ago. The outcome was that it seemed reasonable to take £125 million as the total annual foreign exchange earnings of the City, but that a good two-thirds of this was attributable to activities – mainly insurance and ship chartering – which do not depend upon the position of sterling as a world currency. The residual figure of around £40 million is, of course, not inconsiderable. But neither is it enormous. It is about 1 per cent of our total overseas earnings, and a tenth of what should be the annual increase, in real terms, of the national income.

Why, if we could once carry on this business without harm to

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our economy, should this no longer be so? The answer lies in the state of our reserves. Before the war our gold and dollar assets were rather larger than our short-term liabilities – the sterling balances, as they are generally called. On 31 August 1938 the former were £864 million and the latter £760 million. Since the war the sterling balances have always been at least three times greater than our liquid reserves. On 30 June 1957, for example, the gold and dollar reserves were £850 million and the sterling balances £4,154 million. It has generally been agreed that large parts of these sterling balances are not, in practice, short-term liabilities and could not be quickly drawn upon, but recent experience with India has shown that too much reliance should not be put on this point.

Britain is therefore in the position, as a banker, of trying to run the business on reserves which are wholly inadequate, and are most unlikely, however strong the inflow of gold, to become adequate in the foreseeable future. It may be objected that this analysis is interesting but academic. Our reserves are permanently small by pre-war standards, and the sterling balances exist, a series of debts which we owe and which we must be prepared to repay more or less on demand. We might like it to be otherwise, but it is not, and we must deal in facts and not desires. This argument underestimates the freedom of choice which we have in fact had in the recent past. Between the beginning of 1952 and middle of 1957 the United Kingdom earned a cumulative balance of payments surplus of no less than £957 million. A large part of this considerable sum could have been used to improve the ratio between our short-term assets and our short-term liabilities. If the gold reserves could not have been built up, the sterling balances could have been run down. In fact there was virtually no improvement in the ratio. The reserves rose by £16 million, but the sterling balances increased by £11 million. The remaining £952 million made no impact on the short-term position.

What happened to them? Broadly speaking, they represented the export of capital from this country. Some of them went in the form of private investment to the rest of the sterling area (needing to jump no fences, as there is free movement of capital from Britain to the outer sterling area – but not *vice versa* in most

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cases); some of them went in the form of Government loans to the Commonwealth; and a not inconsiderable part seeped through Hong Kong, or the Kuwait gap, or other semi-legal exits into the dollar area.

All this might have been perfectly sensible if Britain's principal method of earning its living were analagous to that of a bank. A bank does not wish to see the size of its liabilities shrink. This would mean a decline in its business. It lends as much as, or more than, it earns and is repaid. Nor does it wish to keep any sizeable proportion of its funds at home in order to improve the quality of its buildings or office equipment. It is more profitable to employ the money elsewhere. But Britain is not primarily a banking nation. Manufacturing is a hundred times as important to us as the foreign exchange business of the City of London. A shrinkage of our national liabilities would be highly desirable if this change gave us an opportunity to expand and strengthen our real business. Furthermore, we are by no means in the position of having no internal use for the capital we have been exporting. Much of the investment we have made overseas since 1945, even in a country as attractive to capital as Canada, could have been employed in our own industry with greater advantage to the nation's economy. The private investor merely chooses between the prospective profitability of two alternative projects and his calculations may bring him down on the side of the overseas one. But it does not follow that his choice is in the national interest. From an overseas investment the only direct benefit we get is that portion of the profit, after tax, which is remitted here. From a home investment we get the profit, the tax, and the benefit to the workers of the increased productivity to which it leads. The argument in favour of home investment, together with many other points in this chapter, is developed with great force by Mr Andrew Shonfield in his *British Economic Policy since the War* (Penguin Books, 1958).

There may, nevertheless, be powerful national reasons for overseas investment. There may be exceptionally profitable opportunities, such as, on the whole, has been the case with our oil investments. There may occasionally be an urgent need to secure control over the supply of some strategically vital material. Above

all there is the duty of helping underdeveloped areas, which was discussed in the previous chapter. But it cannot be pretended that most of the capital which has gone out of this country in recent years has gone to serve this last purpose. Much of it has found its way to the richer and not to the poorer parts of the world. In addition the sterling balance system has worked in such a way that the dependent (and generally poorer) parts of the Commonwealth have been lending on a large scale to the independent (and generally richer) sterling countries. The sterling area, as it has been allowed to work in recent years, has been a system for increasing the international maldistribution of wealth.

Nor can it be claimed that the capital which has found its way to the poorer members of the Commonwealth has generally done so in a way most helpful to those members. Real estate booms in Kingston, Jamaica or Salisbury, Rhodesia are no more helpful either in raising the standard of living of native populations or promoting the economic strength of the Commonwealth than is the development of secondary industries in the suburbs of already overexpanded Australian towns. It would be a great mistake to equate capital movements from London to the outer sterling area with effective Commonwealth development. Indeed, if less capital seeped out for rather pointless purposes it might be possible to provide more for well-directed, worthwhile schemes.

The emphasis should therefore be on using our foreign trade surpluses, not to lend more, but to reduce our external liabilities.* The object would be to free us from an excessively exposed position for sterling and to give us more room for manoeuvre in our internal economy. Therefore the Government's decision at the end of 1958 to make all foreign-held sterling freely convertible was a step in the wrong direction. It means that when speculative

* During the early part of 1958 there was some progress in this direction. The huge surplus earned by the United Kingdom during the first nine months of the year reflected itself both in an increase in the gold reserves and in a reduction in the sterling balances. Partly as a result of the closing of the Kuwait gap and a temporary decline in the attraction of dollar securities, we were for once not dissipating all our surplus in the export of capital. But during the last quarter of the year we returned to an earlier pattern. The rise in the sterling balances was then more than sufficient to neutralize the reduction of the earlier months.

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opinion again moves against us a still tougher deflationary policy will be required to hold the position. But although a wrong step, it could be argued that it was not a very big one. The key decision, it may be said, was in February 1955, when Mr Butler, then Chancellor of the Exchequer, decided that the Bank of England would support the rate at which what was known as transferable sterling could be exchanged into dollars. Once this decision was taken, anyone in Europe or elsewhere could use the free currency markets of Zürich and other financial centres to obtain dollars at the expense (in bad periods) of our gold reserves. What was done in December 1958, perhaps, does little more than formalize the position. But bad arrangements do not become good because they are formalized. If anyone doubts that the decision of February 1955 was a mistake from the point of view of our internal economy, let him recall that within three or four months of its implementation, our production, having expanded fairly consistently for the previous ten years, reached a plateau above which it has hardly since moved.

This is not an argument against ever making our currency convertible. It is neither possible nor desirable that Britain should isolate herself from the world. But we should have shortened sail before we attempted the hazardous convertibility passage. We have been too keen to pursue a policy of prestige economics. We have been too anxious to see our currency as a great international medium of exchange, too willing to strain our resources by handing out military subsidies here and allowing vast exports of capital there. We have behaved in the world like the typical English milord; and while this is by no means an unattractive role, it is one which was always played most effectively when backed by a solid rent income at home. But our performance abroad has increasingly become the enemy of a fully prosperous home economy. We must break away from the habit. Wherever we have freedom of choice, we must favour the decision which gives us the greatest opportunity for economic growth and expansion. We must recognize that this, far more than a prestige currency and a grandiose lending policy, is the true source of our strength. This is not selfishness. Indeed it is in the long-term interests of the Commonwealth just as much as

of ourselves that we should build up our economic machine at home. There can be no effective future for the sterling area if the central economy is in a state of semi-decay.

This, then, is the first major step towards expansion. We must cut our commitments so that sterling achieves more of the invulnerability of the German mark, and ceases to require the paradoxical support of a stagnant or declining economy in order to look the dollar in the face. Once this is done, and once we have abandoned the foolish idea that inflation can be cured by low productivity and that unemployed resources are good for the moral fibre of a nation, we can return to a reasonably full use of our productive machine. The change that is required is in part a psychological one. We must accommodate ourselves to making a success of being an economic power at the head of the second rank, rather than continuing to be a failure in the first rank. If we do not do this, we shall soon find ourselves in neither the first nor the second, but the fourth or fifth ranks.

Controlled Expansion

At the same time we do not want our economy to be blown up too fast and too far so that it eventually bursts like the over-inflated balloon of Mr Butler's 1955 boom. The epitaph on that period was pronounced by Mr Macmillan himself, who somewhat uncharitably summed up his colleague's performance at the Treasury as having 'held back our exports, swelled our imports, forced us into a balance of payments deficit, helped to reduce our reserves by a quarter, and (driven) up our domestic price level.' It is to avoid these consequences that the Labour Party has committed itself to a policy of *controlled expansion*.

What does this phrase mean? It will no doubt be represented as meaning that we want to put everyone into a Whitehall strait-jacket, to ration most things, to tax the rest out of existence, to decide how everyone shall spend their money even if not their time, and generally to return to a siege economy. This is quite untrue, and if it were not I would not belong to the Labour Party. The principal object of a socialist party should be to enlarge the freedom of everyone to live their own lives fully. The fullness cannot be achieved without a good standard of living

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and a real equality of opportunity for everybody (neither of which has ever been approached without considerable state intervention); but it is just as important that people's lives should be their own as that they should be full. In any worth-while society people must be free to work out their own pattern of consumption, to make their own mistakes, and to develop their own idiosyncrasies. Nor is there anything incompatible with this in the social democratic outlook. The country which has long been governed by a party with ideas which are closest to those of the British Labour Party is Sweden. There may be unsatisfactory features in Swedish society and some aspects of Swedish life which we would not wish to emulate. But it is certainly not the case that the Swedes suffer from an excessive degree of interference in their daily lives. There is less petty bureaucracy than in France or Italy, less police interference with private conduct than in England, and less public pressure to conform than in the United States.

On the other hand, of course, there is the memory of the post-war years in England when, under the Government of Lord Attlee, there was a good deal of rationing and restriction. In large part this was a product of the circumstances of the time – the transition from a war to a peace economy and the inevitable shortages this brought with it.

All governments make mistakes and, looking back, I think the post-war Labour Government tilted the balance too much towards the austerity of fair shares, and too little towards the incentives of free consumers' choice. Fortunately for politics, parties sometimes learn from their own mistakes. It must be allowed that the Tories have learnt something from the vast unemployment which they accepted as inevitable throughout the thirties, and from the disasters of appeasement, which they supported so enthusiastically during the same period. The Labour Party has also learnt from its own more venial errors. Anyone who today sees it as a party of restriction and rationing has been deceived either by his own or by someone else's propaganda.

Why then does the Labour Party want expansion to be controlled, and how is the control to be exercised? First it is required so that the total of economic activity can be kept to the right

level. It is a delicate balance which has to be struck. Financial commentators are always eager to point out that we must have a little in reserve. If we attempt to run the economy absolutely flat out in all respects, they say, we shall undoubtedly spill over into inflation, with bottlenecks holding up production, exports being diverted, and imports soaring. There is something in this. It is high, consistent activity which we want to maintain, and not to err either on the side of doing too much, as Mr Butler did in 1955, or of doing too little, as did Mr Macmillan, Mr Thorneycroft, and Mr Heathcoat Amory for the three subsequent years.

This balance, which the Conservative Government has consistently failed to strike, cannot be achieved just by hoping for it. It requires the most skilful use of all the available weapons. The budget must be used primarily neither to give election-winning bribes nor to reward the supporters of the Government, but to see that the level of demand is adequate, but no more than adequate, to bring out the required level of activity during the forthcoming year. Circumstances may change quickly between budgets, however, and a Government would be foolish either to eschew the possibility of tax changes in months other than April or to rely exclusively upon the fiscal weapon. A few physical controls, of which building licensing for major projects is probably the most important, should be available for use. Nor should credit control be excluded, although it can probably be exercised more flexibly and conveniently by taking power to vary the liquidity requirements of the banks (as is the practice in America) than by the cumbersome methods which have been used hitherto. For influencing the level of consumption expenditure, the power to control hire purchase is undoubtedly necessary, although it should be possible to avoid switches of policy quite so sudden and so drastic as the present Government has inflicted upon us. Lastly, the machinery to control imports, at least from those countries with which we have made no special arrangements, must be created and held in reserve against signs of balance of payments difficulties.

All this adds up to a very small interference with the economic liberty of the individual citizen. Of course, if no other considerations were involved, even this degree of interference would be

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undesirable. But against it must be set the advantages of an extra £1,500–2,000 million of national income, of returning to full employment, and of achieving once more the stimulus of a buoyant economy. Furthermore, even if the issue is to be discussed exclusively in terms of liberty, is not a fully employed man with a rising income, the size of whose hire purchase deposits are determined by the Government and not by his shopkeeper, at least as free as an unemployed Lancashire cotton weaver or even a short-time Nottingham bicycle worker who, if he feels ready to increase his commitments, can buy a suite of furniture or a television set for a negligible down payment?

Controlled expansion, however, means guidance, not merely for the size of the expansion, but for its direction also. First, its geographical direction. There is an overwhelming case for more control over the location of industry. This worked well under the Labour Government, when, with a full pressure on resources, the Board of Trade policy of being more willing to give a building licence for a development area project than for a project elsewhere, was quite effective. Now, without building licensing and with no pressure on resources, development area policy is virtually dead. As a result the pre-war pattern of unemployment is emerging once again. Fortunately, it is still within the framework of a much higher level of national employment. But in January 1959, the percentage without work in Scotland was 5.4 per cent, and in Wales 4.6 per cent. In Northern Ireland it was 8.3 per cent. For many localities unemployment was much higher – over 15 per cent for North-west Scotland, 12.5 per cent for Anglesey, and 9 per cent for Greenock, to mention only a few.

This situation cannot possibly be cured without some control over where new factories are built. National reflation by itself would make some impact upon these new distressed areas, but by the time that unemployment in Scotland or Wales was down to, let us say, 3 per cent (still above the present national average), the demand for labour in the South-East and the Midlands would be so great that the pundits would all be busy pointing out the disadvantages of over-full employment. A control over industrial location would enable a much more sensible balance to be

struck. Moreover, it would be useful in those areas which were discriminated *against* as well as in those in whose favour it was operated. I represent a constituency in Birmingham, one of the most popular areas for industrial development. The City Council there wants to move some industry out in order to relieve congestion and keep its housing problem within bounds. It often persuades firms to move. But its efforts are constantly frustrated by its inability to prevent others rushing in to fill the vacant premises. Control over industrial location is as necessary to amenity planning in Birmingham as it is to prosperity in Scotland or Wales. Altogether, this issue provides an outstanding example of a control which, causing only a mild degree of inconvenience to a very few people, could bring enormously greater general benefits.

High Investment

It is not only the geographical direction of economic development which needs a measure of control. It is its content as well. Here the most important question is the balance between investment and consumption. This raises the second of the two issues posed at the beginning of the chapter. If we could now make adequate use of all our existing resources, we could take a great bound forward. It might easily be possible to increase production by 15 per cent in a comparatively short time. This making up for the lost time of the past four years would be well worth doing. But just because it would merely be making up for lost time, it would still leave the trend line of our economic growth well below that of most of our trade rivals.

This is principally because they have been investing more than we have. 1955, 1956, and 1957 were years of investment boom in this country. By the end of them, net fixed investment (excluding building) was nearly half as big again as it had been five years earlier. Even so it was lower than in Germany, or Italy, or Norway, or Finland, or Austria, or Switzerland, or the Soviet Union. To maintain our competitive position we therefore need to advance substantially and quickly beyond the investment level achieved in 1957 and approximately maintained in 1958. How is this to be achieved? There are two requirements. First

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that the will to invest of those in charge of businesses should be stimulated. Secondly, that room should be made in the economy for the extra investment to take place without pushing us into a 1955-style inflationary boom.

The first requirement involves no major difficulties. Fortunately there is now a large publicly-owned sector of industry. The investment decisions of this sector are under fairly direct Government control. At times (as in the autumn of 1957) this has meant that the nationalized industries have borne more than their fair share of a sudden cutting back. At other times (as in the autumn of 1958) they have responded much more quickly to the Government's desire for a spurt in investment than have the other sectors of the economy.

It is obviously less easy to get an immediate response from the private sector, but it is nevertheless true, provided the Treasury does not change its mind too often, that this sector will also respond to Government influence. It will respond upwards at any rate. A remarkable feature of the past few years has been the resilience shown by private investment to the successive blows to which it has been subjected. In 1955 Mr Butler pushed up interest rates and ordered the banks to cut down their loans to industry. In 1956 Mr Macmillan abolished the investment allowance – a tax subsidy to re-equipment which had been introduced two years previously. In 1957 Mr Thorneycroft instructed the Capital Issues Committee to see that the banks did not lend money for plant and equipment, characteristically combining this with a tax concession which was a direct incentive to invest more abroad and less at home; and he followed this up a few months later by a further drastic stiffening of interest rates.

In spite of these successive attacks, private investment continued to expand until the end of 1957, and showed only a small decline during 1958. When it is remembered that this was accomplished within the context of stagnant or declining production, the achievement becomes considerable. Indeed it could well be argued that the only thing required to stimulate investment is to stop hitting it on the head. If the cessation coincided with the transition to a new, expansionist climate, this might well be sufficient.

If it were not, other measures could be used. First, the weapon of tax concession. The investment allowance is by far the best fiscal device invented by this Government. The pity is that it was discarded in 1956. It has now been reintroduced by Mr Heathcoat Amory, but with a strong suggestion that it may again have only a short life. We should think in terms of increasing the rates rather than of early abolition. If necessary it might be supplemented by higher initial allowances: we should not discard the possibility of allowing firms to write off almost the whole cost of a piece of capital equipment during the year of purchase. In the unlikely event of these generous measures failing to secure a response, less welcome incentives could be applied. There would be a very strong empirical case for the public ownership of an industry or large firm which under these conditions had an inadequate investment performance. The object would be to achieve results. The methods used would be subordinate.

Steel Nationalization

In the case of the steel industry, however, the Labour Party regards the case for renationalization as already established. But it is not a doctrinaire case. On the contrary, it is one which is directly related to the practical needs of the economy. An adequate steel-producing capacity is an essential prerequisite of smooth industrial expansion. Without it a period of sustained growth inevitably means acute steel shortage, damaging bottlenecks, a diversion of exports, and a disproportionate increase in imports. This was exactly what happened in 1955. Despite a decline in steel exports and an increase in steel imports, amounting in combination to a £70 million adverse influence on the balance of payments, most types of steel products were in short supply at home. The inadequate capacity of the steel industry at that time was undoubtedly one of the major factors forcing Mr Butler into his restrictive autumn budget and the country into the stagnation which has persisted ever since.

The advocates of the present régime in the steel industry – which, with its publicly-appointed controlling Board, bears no relation to true private enterprise – claim that this criticism is unfair. The industry, they say, has expanded as quickly as could

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be expected. Output in 1957 was 110 per cent above that for 1938. This sounds an impressive figure, but it is one which has been exceeded by almost every major steel-producing nation in the world. France showed an increase of 125 per cent, Belgium-Luxembourg 160 per cent, the Soviet Union 183 per cent, Italy 190 per cent, and the United States 255 per cent. Western Germany, which did not re-emerge as a major producer until 1950, was already substantially ahead of the United Kingdom by 1957. United Kingdom steel output, moreover, until the recent recession, failed to keep pace with the growth of our general industrial output. Between 1948 and 1955, for instance, steel output rose by 33 per cent, but manufacturing output was up by 42 per cent and the output of the steel consuming trades by 56 per cent. There, in a sentence, is the explanation of the steel difficulties of 1955.

The steel firms themselves would regard their caution in not doing more as being fully justified by the excess capacity which has developed in the past eighteen months. In 1958 output was down by more than 10 per cent on the previous year. Why should we hasten to increase our capacity when we cannot sell the production of which we are already capable, they ask. This question contains the kernel of the case for nationalization. The national interest requires that the steel industry should always be looking ahead and providing a margin of productive capacity somewhat above the level of estimated demand. A steel shortage is so costly to the rest of industry in production losses that the price of carrying a little surplus capacity is well worth-while to the nation. But it is not worth-while to the individual steel firms. They, quite naturally, are more concerned with their own balance sheets than with the broader picture. And the strength of these balance sheets is greater if capacity is not expanded too quickly. Of course the Steel Board has some influence upon the companies. But, particularly so far as expansion is concerned, it is not an influence which can be exerted very quickly or very completely.

This is clearly illustrated by the history of the past few years. The 1957 Steel Development Plan envisaged a production of 29 million tons by 1962. When the recession began, the Board

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expressed its clear view that the plan should not be retarded. But the industry thought otherwise. The start of several projects was delayed and others were modified. As a result, it is now estimated that the 1962 production level will be between 27 and 28 million tons and that 29 million tons will not be reached until 1965. If general industrial expansion produces a steel shortage in the early sixties, the fault will lie with the present organization of the industry.

The story of the plans for a fourth strip mill – to increase capacity for sheet and plate, the products which are most likely to be in short supply – is a special illustration of the general point. Plans for this were first discussed in 1955, but no agreement had been reached by 1957, when the Board was reporting a difference of view with the industry as to when the development should take place. In April 1958, the Iron and Steel Federation, representing the individual firms, at last agreed that Richard Thomas and Baldwins, a company which has not been denationalized, should undertake this development at Newport. There was then a further short delay before the Government decided, largely on employment grounds, to split the development between Wales and Scotland and to entrust the Scottish part of the plan to Colvilles. But the crucial two-year delay between 1956 and 1958 was because of the Federation's reluctance to bring the new capacity into operation as early as 1962.

Colvilles, unlike Richard Thomas and Baldwins, is now a private firm, in the sense that the equity has been sold back to private shareholders, but, as is today common in the steel industry, the Government is left holding a very large block of fixed interest securities. The Colvilles' shareholders are not to provide the money for the new development, however. The whole of the £50 million required is to come from a Government loan granted on extremely favourable terms. But the profits will go to the shareholders.

The financial arrangements prevailing in the steel industry today, well illustrated by the Colvilles' position, are an additional reason for nationalization. When an industry requires a great deal of public money to keep going, when the Government has to provide the whole of the finance for an important new develop-

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ment, and when a public Board tries to control which schemes are undertaken, what possible argument is there for preserving a thin top layer of private shareholders whose sole function is to take a large slice of the profits? They are an expensive luxury, for they mean that the industry now pays out vastly greater sums in dividends. In the year after it passed back into private ownership, the Steel Company of Wales increased its payment on this account from £390,000 to £1,380,000.

These financial considerations are a powerful buttressing argument for public ownership; and there are some others too. But the core of the case is the unwillingness of the privately-owned firms to expand production at an adequate rate. These firms are most anxious to pretend that the Labour Party has a doctrinaire approach to the industry, and many of them are spending great sums of money on publicity to this effect. If they wish to enlighten the public about their industry and the controversies associated with it, let them spend a little more money on reissuing and giving a wide circulation to the results of the *Spectator's* steel inquiry. The summing-up is by no means wholly favourable to the Labour Party, but I would be happy for any objective-minded elector to read the statements of the case both for and against nationalization and to make up his mind on these calm presentations of the evidence.

Room in the Economy?

The second problem is that of making room in the economy for the extra investment. The failure to do this helped to produce the crisis of 1955. This problem is by no means an easy one, for in a peace-time democracy it is virtually impossible for a Government ever to reduce consumption, except perhaps by the clumsy method of forcing up prices. Nor is it desirable to do so. Our primary purpose in pushing up investment is to increase the standard of living, and not to serve some obscure teleological purpose. Investment is the servant of consumption, and not *vice versa*. But it might nevertheless be better to postpone much of our increase in consumption so that when the increase came, later on, it might be bigger and more securely based. It is a question of diverting extra production, as it comes along, into

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investment channels, and thus stepping up the proportion of the national income going to capital formation.

A few months ago would have been an ideal moment for such an operation. There were substantial unused resources and the Government itself recognized the need to stimulate the economy if heavy unemployment was to be avoided. Unfortunately, by leaving the application of the stimulus too late, the Government forced itself to rely more upon consumption, which always responds more quickly, than upon investment. During the 1958 budget discussions the Labour Party urged the Chancellor of the Exchequer to restore the investment allowances. By the autumn, he was told, he would be looking round desperately for stimulants to the economy. If he did not plan ahead, he would be forced to turn to consumption, and another opportunity to jerk up Britain's investment level would have been lost. Mr Heathcoat Amory followed the anti-investment tradition of his predecessors by turning a deaf ear to these appeals. As a result we had the sudden sweeping away of hire purchase controls in September 1958. The 1959 budget has reinstated the investment allowance – but too late for it to produce a decisive tilt towards investment. The most that it will now do is to keep investment to its present percentage of the national income. We have missed the best opportunity for years to push it well above this level.

Control over the direction of the economy, however, involves something more than striking a balance between investment and consumption. It also involves some power to decide what sort of investment, and hence what sort of production, is to be particularly stimulated. I am not one of those who are instinctively censorious of 'frivolous' investment. Milk bars, petrol stations, soft drinks factories, and even greyhound stadiums are not amongst our most basic economic activities, but as we want them, it is on the whole as well that they should be efficient and well designed. I would rather investment took place in them than that it did not take place at all. It is nevertheless the case that a healthy economy with a strong export potential must rest upon the foundation of an efficient basic industry of adequate size. Germany not only invests much more than we do. She also invests a higher proportion in the vital metal industries. The Soviet

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Union, which is now considerably expanding her secondary industries, did not do so until she had devoted many years to building up a powerful heavy industrial base.

Particularly while our investment resources are so comparatively limited, we would be wise to follow these patterns. This is not something which happens naturally in Britain. There has for several years been a tendency for far too much of our inadequate investment resources to be devoted to the less essential purposes. Nor does a period of recession, such as that through which we have just been passing, help to improve the position. Loose talk about a credit squeeze eliminating only the flabby parts of an economy has no more validity than the incantations of a witch doctor. Look at the main production changes in 1958 as given by the *Financial Times*:

DOWN

Coal -4%
Steel -10%
Pig-iron -9%
Cement -5%
Bricks -7%
Machine tools -10%
Motor cycles -29%

UP

Passenger cars +25%
Refrigerators +38%
Washing machines +17%
Television sets +4%
Commercial vehicles +7%

This picture must be corrected if we are to improve our export position and construct a framework on which we can safely mount a massive programme of economic growth. But the correction cannot be made without some Government control over investment priorities. To exercise this control we need the moderate weapons of an effective capital issues control, a publicly-owned steel industry, building licensing for major projects, and investment allowances which discriminate between different types of industry.

6. BETTER SCHOOLS

THERE are two main faults in our educational system. The first is that, over most of the field, standards are much too low. The classes are too big; the buildings are inadequate; the school-leaving age is too young; and the technical facilities are too few.

This list of deficiencies is not exhaustive. It could be extended several times. But these troubles all have one thing in common. They spring, either in the short run or the long run, from the same cause: not enough money and resources. They will not be cured until the nation decides to spend more than 3 per cent of its income upon public education. So long as that decision is not made, a large proportion of British children will get a worse education than they would have done had they been born in most other advanced countries; and the nation will as a result slip further behind its rivals.

The Problem of the Public Schools

The second fault is of a quite different kind. It is that the British educational system is the most socially divisive in the world. Other countries have their fringe of private, fee-paying schools, and in some of them these schools may indeed cater for a higher proportion of children than the 7 per cent who in this country are educated outside the public system. But they are not as *qualitatively* important as in Britain. Nowhere else do the fee-paying schools carry the same prestige, the same command over the best jobs, and the same ability to recruit without geographical barriers the children of almost all families rich enough to pay the fees. Nowhere else, either, do they confer on those who attend them such easily recognizable marks of social difference. Many observers have been struck with the persistence in Britain of an unusual consciousness of class divisions, despite the relatively high degree of material equality which has existed since 1940. There is no doubt that the public school system, and its appendage the preparatory school system, hold the key to this paradox.

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Whether such social *apartheid* is desirable may be a matter of controversy. Some might argue that it was. But many others, often well outside the Labour Party, recoil from such a rigid division and look forward to a reform of the public school system. Their view is fortified by the wastage of talent, as well as the social disunity, which is involved in the present dispensation. So long as a tiny minority of schools, with pupils recruited almost exclusively from one class, command much of the entry to Oxford and Cambridge and a high proportion of the best jobs, so long will equality of opportunity remain unreal, and so long will it be impossible to make the best use of available talents.

It is no answer to this to point out that no educational, and very few occupational, doors are closed to someone of exceptional ability. The problem is not that of making the best use of the top 1 per cent. It would be difficult to devise an educational system which prevented such men from rising. Many of them, indeed, could even manage without an educational system at all. What sort of teaching is available to a Lloyd George, or a Henry Moore, or an Isaac Woolfson signifies very little. What is difficult (but extremely important) is to make the best use of the next 20 or 30 per cent, and it is in this band that the present educational system does not reflect ability in opportunity. A child whose intellectual talents place him, say, in the second 10 per cent from the top and whose parents buy him a good public school education has a vastly greater expectation of income and influence than has a child of exactly equivalent intelligence who goes through the State system. This is partly because the first child will have had a better education, and partly because he will be *thought* to have had a better education and to have acquired certain job-acquiring attributes. The problem is a mixture of the real excellence of at least the best public schools and of their snob value.

It is sometimes suggested that this misdeployment of talent is largely illusory because of the importance of heredity and of family environment in determining ability. Heredity is certainly important, and no system of education would prevent the children of able people doing better, on the average, than those of less able people: but not to the extent which the present system

enables them to do. The sons of men in the highest one of seven status categories (the professional and high administrative group) are thirteen times as likely to find themselves a job in this same category as are a random selection of the population as a whole. This figure, taken from a survey published in 1954,* indicates a degree of social immobility which could not possibly be justified by the natural distribution of talent.

Family environment, as distinct from the simple question of inherited ability, is also a powerful factor. Children who come from homes where there are a lot of books, where a wide range of subjects are discussed, and where foreign travel is a common activity, are clearly likely to do better in academic subjects. But this is no reason why they should have a prescriptive right to a better type of school. The fortuitous possession of one substantial advantage is hardly an argument for adding another to it.

It is therefore clear that the public school system in its present form militates strongly against a full equality of opportunity. As such it should not be acceptable even to the Conservative Party, which, however traditionalist and nepotistic it may be in practice, is in theory committed to a fluid society with all careers freely open to the talented. Equality of opportunity is not in itself enough either as a social or an educational aim. It needs to be supplemented by a respect for the unsuccessful and by a scepticism towards the value and rights of *élites*. But it is a great deal better than inequality of opportunity. And on this ground, as well as on the 'one nation' ground, no member of the Labour Party can accept the present dichotomy in our educational system as compatible with the society he wishes to see.

Why, then, has the Labour Party, in its statement of educational policy for the next election, not given a high priority to the public school problem? The answer is an interesting commentary on the state of mind of the Labour Party today. Some of its members undoubtedly believe that it would be right to abolish the public schools and to forbid by law the purchase of education. This was not the view of the leadership of the Party or of the majority of their supporters, as was shown by the debate at the 1958 Con-

* *Social Mobility in Britain*, edited by D. V. Glass. (Routledge and Kegan Paul, 1954)

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ference. And it is not my view. The legal prohibition of private education would to my mind be both impracticable and undesirable.

It would be impracticable because 'class' education could not be prohibited without also prohibiting denominational education; and this is something which no party could contemplate. Furthermore, the attempt to forbid fee-paying schools in this country would inevitably lead to the setting up of a ring of pseudo-public schools from Calais to Dublin. In theory, I suppose, these could be dealt with by making it an offence for British subjects to send their children to them. But this leads us on to the undesirable aspect of the matter. It would be no advantage to solve the problem of public schools at the expense of setting up a police state. And some approach to this would, I suspect, be inevitably involved in forbidding fee-paying by law. It is one thing to want to change the social position of public schools, at a faster rate perhaps but in a roughly similar way to that in which the position of Oxford and Cambridge has already changed, but it is quite another thing to make private education a criminal offence. To do so would be an interference with individual liberty as unwarrantable as a prohibition on any medical treatment outside the Health Service.

Nor would it be educationally desirable. If the public schools were actually closed down (which has never been seriously proposed), there would be a substantial loss of school places, involving the squeezing into the already overcrowded State sector of the displaced children. And the loss would be qualitative as well as quantitative. Some of the best education obtainable in Britain today would be destroyed. Even if the public schools were not closed, however, but were fully absorbed into the State system, the abolition of fee-paying would still have some educational disadvantages. Unorthodoxy and experiment have a useful place on the periphery of any educational system. They are less likely to flourish within the sector controlled by local authorities, or even amongst the public schools. They exist amongst the outer ring of fee-paying schools (interspersed with a greater number of downright bad establishments), and if this whole group were to be abolished by law, whatever had happened to the public

schools, there would undoubtedly be some loss of flexibility.

Any liberal socialist must therefore approach the problem of privilege in education with the weapon of infiltration, rather than that of prohibition, in his hand. As long ago as 1944 the Fleming Committee recommended that the independent schools should offer up to 25 per cent of their places to non-fee-paying children from State schools, and that the proportion should subsequently be increased. The fees of these children were to be paid by the local authorities, and partly (but not entirely) for this reason the plan has been virtually inoperative. Most local authorities have been unwilling to spend the money. There is, however, no theoretical reason why the plan could not be revived and applied, preferably on a more intensive scale, by a Labour Government. One object of this increased scale, which might take the form of insisting that in the participating schools 25 per cent, rising fairly rapidly to a higher figure, should be a minimum, would be to avoid the 'guinea-pig' feeling which might otherwise exist amongst the selected children.

An approach of this sort, to be secured if possible by an agreement with the headmasters and governing bodies of the schools concerned, but if necessary by legislation, was strongly urged by Mr Crosland in the educational chapter of *The Future of Socialism*; and there is no doubt that it commends itself to many others in the Labour Party. But it finds no place in *Learning to Live*, the statement of Labour education policy published in the summer of 1958. Nor indeed does any other method of abolishing, integrating, or reforming the public schools. They are to be left to carry on as before.

Why is this? It is because of a decision to give a clear priority to curing the first, rather than the second, fault in our educational system: to raising standards in the State sector rather than solving the problem of social dichotomy. Whether this was a wise or courageous decision is obviously open to dispute. It was argued about at last year's Labour Party Conference. What is not open to doubt, however, is that it is a decision totally incompatible with the image of the Labour Party which its opponents try to project. A doctrinaire party would obviously have gone for sudden social change rather than for steady educational advance; an envious

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party would have been more attracted by levelling down than by levelling up; and an anti-libertarian party would not have recognized the strict limitations to what can or should be done by legislation.

It may be objected that the presentation of the issue in terms of alternative priorities is false. If the Labour Party had wanted to, and had known how, standards in the State sector could have been raised and the public schools dealt with in the course of one Parliament. If the next Labour Government cannot integrate the fee-paying schools, there is no reason why this should ever be possible.

This argument is not valid. There is a real choice to be made. In the first place, a policy of public school integration would involve a heavy bill for the Exchequer. Basic fees at the major schools are today between £350 and £450 a year. At the lesser-known schools, the day schools, and the preparatory schools, the figures are somewhat lower, although the difference is not enormous. Altogether an average basic fee for the 270,000 children attending independent schools which are inspected by the Ministry of Education (this excludes the outer ring of small, little-known, uninspected schools attended by about 250,000 children) must be at least £250. A minimum of £50 should be added to this for other expenses which would have to be publicly met if pupils were to be recruited from low-income families. The annual public cost involved in taking over 25 per cent of the places would therefore be of the order of £20 million. To take over the lot would cost £80 million.

This compares with a total Exchequer expenditure on education of approximately £400 million at the present time.* A scheme for integrating the public schools would therefore compete quite sharply with the urgent need for additional money to improve standards in the State sector; and it would concentrate available public money upon relatively few children in a way which

* Local authority expenditure financed out of rates amounts to another £200 million. But the comparison should be made with the Central Government expenditure. Without national financing of the free places, it is unlikely that a new scheme would be any more successful than were the Fleming proposals.

could hardly be justified, however those children were chosen, while standards elsewhere are still so low. If there were a 25 per cent infiltration, 1 per cent of the school population would find themselves attracting 5 per cent of Exchequer money. If there were a complete integration 4 per cent of the children would attract 20 per cent of the money.

Furthermore, a sustained attack on the problem of the public schools, particularly if it proved insoluble by agreement and had to be done by legislation, would inevitably distract the attention of the Minister, his civil servants, and Parliament from other educational tasks. With conditions still so bad in much of the State sector, there is therefore much to be said for the attitude which the Labour Party has adopted: for neither accepting the class division in British education nor for rushing to attack it, but for treating its abolition as a second priority. The argument is reinforced by the fact that, as standards are raised in the State sector, so will integration become easier. It will be easier both for the obvious reason that pupils can be more easily mixed up if the standards of the schools are approximately the same, and because there will then be a possibility of achieving a common system of primary education.

Preparatory and pre-preparatory schools carry little of the prestige that goes with the major public schools. Their names are not famous. Most of them are recently established, profit-making organizations. There is no intangible advantage in later life in having attended one of them. Their strength, such as it is, lies in their small classes and in their consequent ability to command entry to the next educational stage – whether the preparatory school itself, the public school or the grammar school. Some of the State primary schools already have better buildings. If the remainder could be brought up to this standard and the size of classes substantially reduced, parents might voluntarily abandon these stages of the fee-paying system.

This would be an excellent thing in itself. It would give us at least some all-class educational experience, which is what this country, in contrast with all others, so strikingly lacks. Equally important, it would probably force the public schools to adjust their age of entry and their subject requirements to the practice

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in the State sector. This would make it much easier to work a system of free places in the public schools. It would also further weaken the position of the private preparatory schools. It might be possible to move quite quickly and easily to a situation in which, for the majority of all income groups, there was a single, national system of education up to the age of thirteen, combined with a heavily-infiltrated system beyond.

Improvements in the State Sector

This is for the period beyond the next Parliament. What does the Labour Party propose to accomplish in the meantime? What are the practical improvements in the State sector for which it has decided to postpone the attack on social dichotomy? First, the Labour Party is determined to reduce the size of classes. Existing regulations say that forty children should be the limit in a primary school and thirty in a secondary school. But neither of these limits apply in practice. One-third of the children in primary schools and two-thirds of the children in secondary schools are taught in classes over the respective limits. The first step is to enforce the limits and the second is to bring them into line with each other. There is no argument for thinking that small children can more easily be taught in a vast sprawling class than can older children. From the point of view both of the strain on the teacher and of the need of the child for individual attention, this is, if anything, the reverse of the truth. The private schools fully recognize the advantages of small classes for very young children.

Smaller classes cannot be wished into existence. The principal factor is the supply of teachers. In 1956 an official inquiry estimated that, with the existing trends, enough teachers to make a reality of the forty and thirty maxima would become available in 1965. More recent indications are that this may have been optimistic. In 1957 the net increase in the number of teachers was only 5,000, although 7,000 had been anticipated. A higher marriage rate and an earlier marriage age are neutralizing part of the efforts of the training colleges. More recently still the Government has decided, as from 1960, to lengthen the course at training colleges from two years to three. In itself this is an

admirable extension. It will improve the quality of the education which the teachers are able to give. But it should surely have been preceded by an expansion of the training colleges, so that the improvement of quality should not work against the paramount need to reduce the size of classes. Without this, the new scheme, involving a 'famine year' in 1962, will postpone the date at which the maxima can be applied. The 1956 investigation calculated that it would postpone it until 1968; and if the 1957 short-fall were to be repeated at all frequently, the date might be pushed on into the seventies.

This is a date, it should be remembered, for the achievement of a very limited and inadequate objective. Yet the Government resisted for four years the argument of the Opposition in favour of expanding the number of places in training colleges. Sir David Eccles, who was Minister of Education from 1954 to 1957, was particularly scornful. The need for extra teachers, he insisted, would have passed before they were trained. Now at last the Government has relented. It has set on foot a plan to increase the number of places by 12,000 by 1962. This is something. But it is not enough. The Ministry's own advisers pointed out that the need was for 16,000.

The Labour Party is firmly in favour of the larger total. It will enable the thirty and forty limits to be applied more quickly, and the lower limit for primary schools then to be approached. With the size of classes central to the quality of our education, this extra money will be well spent. At present the problem of attracting recruits to fill the new places does not seem acute. In 1958 6,000 students tried unsuccessfully to get into training colleges. But some of these candidates were unsuitable, and in any event the surplus would not be sufficient to fill the new capacity. Attention should therefore be given to recruitment propaganda for teaching directed at the sixth forms of schools and at the universities – the latter sources providing a supply of teachers not included in the training college figures.

Such propaganda is not likely to be effective unless it can point to a prospect of reasonable pay and good conditions of service. Meanness here is quite incompatible with a real drive against the size of classes. Nor should the possibilities of employing

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more part-time teachers be overlooked. Many married women might be prepared to work mornings or afternoons and either take small groups for reading or arithmetic, or share a class with another similarly placed woman who would do the other half of the day. This is not an ideal arrangement, but as a stop-gap it is much preferable to another decade of oversized classes. The part-time services of specialist teachers can be utilized still more easily.

The second objective which the Labour Party sets itself is that of bringing all school buildings up to standard. Many schools in the State sector now have excellent buildings, better from most points of view than the majority of those in the private sector. Others have adequate buildings. But a minority of schools, mainly in country districts, but also in the older parts of big cities, have appalling accommodation. Half a million children are still taught in schools erected before 1870, many of which have received little or no modernization or improvement. It is no answer to point out that Eton or Winchester were built long before 1870 and that the quality of their education is not notably inferior. They were better buildings when they were built; and the fact that old buildings do not neutralize the advantages of excellent teaching, a good tradition, and spacious playing fields does not prevent their being a heavy disadvantage when none of these three considerations exist and when inadequacy is added to age.

So far from being excellent in other respects, many of the slum schools in country districts suffer from the overwhelming educational disadvantage of being 'all-age' or 'unreorganized' schools. Children of secondary age do not go on to another school but remain as senior pupils at their primary schools. Of thirteen-year-old children, one in ten suffers today from this disadvantage. In extreme cases almost the whole school is taught in a single large room. The school building programme should give the highest priority to getting rid of these conditions. Equality of opportunity is just as important between rural and urban areas as between different social classes.

Comprehensive Schools

The third – and most controversial of the Labour Party's proposals – is the abolition of the 11-plus examination and the

reorganization of secondary education which this involves. This examination, curiously called, for it occurs in most children's lives between the ages of ten and eleven, has emerged since the 1944 Act as one of the most unpopular features of our national life. Its object is to segregate children into the three streams of secondary education. But, as relatively few children go to the technical schools, its practical effect is to make a simple division between the 'successes' who go to grammar schools and the 'failures' who go to modern schools. The grammar schools command not only a higher prestige and superior teaching, but also most of the routes to better jobs. This single act of selection therefore goes a long way towards determining a child's whole future.

The result is a great strain for the child and a great anxiety for the parent. Nor is the system educationally satisfactory. It means that in many primary schools, children find that attention is concentrated on getting them through this test. Furthermore, the age of ten-and-a-half is much too early for accurate selection; and although there is, in theory, the possibility of allowing a later-developing child to transfer at thirteen to a grammar school, this happens only rarely in practice. Recent Government policy has sought to deal with the problem by introducing some grammar school practices into modern school teaching and organization. As proof of the success of this policy it is pointed out that 10,000 modern school children a year are now taking the General Certificate of Education and that in the better modern schools about half the children are staying on voluntarily for some time after the statutory school-leaving age of fifteen.

In fact these figures give powerful support to the view that it is the whole system of segregation which is wrong. 10,000 modern school children may take the G.C.E., but 100,000 grammar school children take it from a school population only a quarter the size. So far as this general educational test is concerned, the modern schools are creeping up to a position in which they offer one-fortieth the chance of a grammar school. The inequality of opportunity offered by the two types of schools could hardly be more strongly underlined. At the same time the fact that many

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modern school pupils are staying on after fifteen has to be set against a figure of 24 per cent of grammar school pupils who leave at the earliest possible date. From the important viewpoint of desire for education, the margin of error in the selection process is clearly enormous.

Some improvement might be affected by substituting a series of tests for the present one day's decisive examination, but the real evil lies, not in the method of selection, but in the principle of segregation. The Labour Party believes that the best answer to this is the comprehensive school, and that the central principle of its secondary education policy should therefore be to work towards the rapid growth of these schools.

A comprehensive school can be defined as one which offers a wide range of studies from the age of eleven to eighteen, and includes within its intake children now classified into the different types of grammar, technical, and modern. It does not imply that these children will be taught in the same classes and all do the same work. They must be divided according to intelligence and aptitude, and there is no reason why examination results should not be used to effect these divisions. But the divisions will be less sharp and less final. Almost everyone must know from their own or from their children's experience that periods of academic success can alternate unpredictably with periods of indifferent or downright bad performance. Of course the balance between these periods over a child's whole educational career must determine how he does scholastically. Nothing can or should prevent this. But the child and the community should be protected against the haphazard chance of when these periods occur having a decisive effect. This is one thing which a comprehensive school should accomplish. A child can advance rapidly or slowly and do more or less academic work according to his performance at a particular period.

There would also be a softening of the process of selection because of a narrowing in the difference of prestige. There is no comparison between the effect of failure to get into a particular form and failure to get into a particular type of school. Of course it can be argued that life is certain to bring its successes and failures and that there is no point in trying to disguise the harsh-

ness of human experience. This is so, but it is hardly a reason for wanting children to be branded into one category or the other from the age of ten.

The comprehensive school has therefore certain obvious advantages. Like other educational forms it is not without its disadvantages. But those which are most commonly put forward are based largely upon misunderstanding or exaggeration. First, there is the view that such schools must be well above the optimum size and will in consequence lose any intimate, personal quality. But in practice many of them are not very large. The Anglesey County Council, for example, which has already established four comprehensive schools, makes them no larger than 500-600 pupils. Some in London are over 2,000, but this is exceptional. Most of the schools constructed or projected are for well below 1,500 pupils and the average size is not likely to be more than 1,000. There is no evidence that this is too large. Both Eton and Manchester Grammar School, which are, respectively, outstanding examples of a successful public school and a successful independent day school, have more than 1,000 boys. Indeed, there is more reason to believe that, in country districts at least, the old schools were too small than that comprehensive schools will be too big.

Secondly, it is argued that the mixing of intellectual levels which the comprehensive schools involve will act as a drag on the achievements of the more intelligent. This argument might have considerable force if the practice in the comprehensive schools were for all children of the same age to be taught together, with no grading by ability and 'social promotion' from form to form on the American model. But this does not happen. There is just as much opportunity for a clever child to be well taught, to rise quickly, and to do effective sixth-form work as in most grammar schools. Admittedly the evidence on the working of comprehensive schools is not yet sufficient to be conclusive, but such as there is suggests strongly that there is no loss of academic standards and no greater difficulty in securing admission to the universities; there is a levelling up rather than a levelling down.

This is not surprising. There has, after all, been a considerable and satisfactory experience, outside the State sector, of educating

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children of widely varying intellectual levels in the same school. Particularly in pre-war days, when the pressure on places was less, most public schools, other than the very best, took almost everyone who applied. The criterion was little more than an ability to pay the fees. The range of intelligence catered for was almost as wide as that with which the comprehensive schools now have to deal; and the educational results achieved were on the whole very good.

The third objection to comprehensive schools is one particularly associated with the name of Lord James of Rusholme, the High Master of Manchester Grammar School. Lord James has argued strongly that the chief function of the educational system must be the production of leaders, and that this end can only be served by concentrating potential recruits in *élite* schools. This is not an argument of which either the premise or the construction placed upon it can be accepted without question. Leadership is a function of a variety of qualities, some good and some bad, but there is not much evidence that they are qualities which can be inculcated by even the best academic education. It may be doubted in particular how many 'leaders' are produced by the distinguished school, with its outstanding scholastic record, over which Lord James has now presided for some time.

This point aside, however, it is by no means self-evident that it is desirable for 'leaders' to receive a segregated education. It is surely desirable that they should add to their academic qualifications a knowledge of their fellow human beings and an ability to judge and work with all types of men. Yet they are far more likely to achieve these qualities in a widely-based school than in one which merely cuts off the top few inches of a pyramid of intellect. A very high degree of intellectual selectivity can be just as limiting as a very high degree of social selectivity.

The commonly-used arguments against comprehensive schools are therefore unconvincing. If we were constructing our State secondary education afresh, there would be overwhelming arguments for doing it almost entirely on a comprehensive basis. But we are not starting *de novo*. The country is covered by a network of schools, including some very good, well-established grammar schools. There is some difference of opinion in the Labour Party

as to what should be done with them. I personally hope that where they are of adequate size, in reasonable buildings, and with a good tradition, they will be left undisturbed. They are in themselves good educational units, which are not easy to come by, and they act as a bridge between the general level of the State sector and the private sector; and while the private sector remains unreformed, that is a very valuable function. This, moreover, is what, in the great majority of cases, I believe will happen. It will be fully in accord with both the liberal outlook of the Labour Party and the flexible tradition, with great play left to local initiative, of British education. Subject to this *caveat*, the comprehensive principle, applied wherever new schools have to be built, or reorganization is necessary for other reasons, can do a great deal to raise the general standards and solve the social problems of our education system.

The fourth of the Labour Party's objectives is a rapid expansion of technical education. This is necessary on the simple ground that without it our national competitive power will decline calamitously. In proportion to population, the United States produces two-and-a-half times as many technologists as we do, and the Soviet Union five times as many. If this ratio is allowed to persist, our rate of economic growth is bound to fall still further behind. The problem is primarily a quantitative rather than a qualitative one. So far as the United States at least is concerned – we know rather less about the Soviet Union – it is not that their technologists are better, but that there are so many more of them. The Labour Party therefore sets a quantitative objective of doubling within five years the number of those obtaining technical qualifications of all sorts. It is an objective which can only be a first step, and one which there can be absolute guarantee of achieving. Technical courses are voluntary, many of them part-time. Students cannot be made to come forward or to complete the courses. But they are more likely to do so, and to complete their courses successfully, if, instead of having to attend classes in the evening, they are released by employers during the day. And they certainly will not come forward unless the facilities are provided and their advantages publicized. Both these things must be done and the cost, which, in the case of providing the

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facilities, will be fairly heavy – for the buildings and the equipment required are complex – must be faced. It will be money well spent on any basis of calculation, because in due course it will more than repay itself in terms of national income.

The Universities

The fifth objective is to increase the number of university places. At present there are 110,000 university students. As with the output of technologists, this is low in relation to many other countries. The United States has proportionately seven times as many university students as this country. Many of them are at admittedly second-rate institutions with low academic standards. But the training they receive nevertheless puts up the *average* level of qualification in the United States and gives that country a big competitive advantage. Nobody wants to lower the best standards here – and the standards of the best universities in the United States have not been lowered by the existence of a profusion of other colleges – but it is urgently necessary to make a university education available to some of those who are not now able to secure admission. Present plans are to increase the number of places to 124,000 by the mid sixties, but it is accepted that even on purely vocational grounds – the need for doctors, teachers, scientists, etc. – a further increase to at least 160,000 is required. Even that figure would give us, in relation to population, only a fifth as many places as the United States.

The problem is not only to increase the number of university places, but also to enable the would-be students to take them up. This involves a more generous policy on students' grants. At the present time, these suffer from being on a generally inadequate scale, from meanness on the part of some local authorities, and from a stringently applied means test which bears very heavily on parents who have tolerable incomes but very little spare cash. The State must take responsibility for a rather greater generosity in all respects.

It is also proposed that a Royal Commission should be appointed to survey the general position of the universities today. It would concern itself, amongst other matters, with the number of places to be aimed at, the distribution of universities through-

out the country, the relationship of Oxford and Cambridge with the rest, the balance between science and other teaching, and admissions policy. The Royal Commissions which investigated Oxford and Cambridge in the 1850s did much to turn those universities from close clerical corporations into the great instruments for the education of the ruling and professional classes which they subsequently became. Such a drastic shake-up is not necessary today. But it would be complacent to suggest that an authoritative and impartial resurvey could not do much to generate new energies and to bring them and the other universities into closer touch with the needs of the second half of the twentieth century.

A special word on admissions policy, in relation particularly to Oxford and Cambridge, is necessary. Most colleges undoubtedly have a strong (sometimes only half-conscious) pro-public school bias in their choice of undergraduates. If, without excessive interference, this could be broken, a great deal would be done to reduce the unfair advantages of those schools and to make easier their subsequent reform.

The sixth point in the Labour Party's plan concerns finance. Most educational expenditure is carried out by the local authorities. Until recently it was the practice for a percentage of this to be covered by Exchequer grant. Thus a saving of money could only be partially passed on to the local ratepayer. The incentive on skinflint councillors to skimp on education and hope to gain favour with their meaner constituents was limited. The Government has now replaced this with a system of block grants. Each local authority gets a given sum from the central government as a contribution to the whole field of its activities. As a result, variations in education expenditure make a 100 per cent impact on the local rates. The Labour Party, supported by most educationalists, regards this as a thoroughly bad system. It will encourage meanness where a sensible generosity is necessary, and it will accentuate the differences between the educational services provided in different parts of the country. As soon as possible the Labour Party will return to the principle of a percentage grant.

These six points contain the Labour Party's main plans for educational advance in the next five years. Taken together they

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would give us a vastly improved system. They would bring equality of opportunity nearer. They would remove some anxieties from the minds of parents and children. They would make the next generation more alive to the world around them and more technically efficient. And they would pave the way for a future drive against the socially divisive aspects of our present system.

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ONE of the largest of the islands of poverty which still persist is made up of old people who have ceased working without the benefit of a superannuation scheme. More than $1\frac{1}{2}$ million of them are forced to rely on National Assistance to bring them up to a subsistence level. With their wives they alone constitute a submerged 5 per cent. Many more avoid National Assistance, not because of the size of their own income, but because, willingly or unwillingly, their children support them.

The feeling of hardship is not confined to those who have already retired. The prospect of a penurious old age casts a blight of insecurity over many of those still at work. At this stage, moreover, the sense of unfairness may be still greater. Before the war superannuation schemes applied almost exclusively to professional workers. In consequence there are very few retired manual workers who are already drawing substantial superannuation benefits. But the position is changing quite quickly. Of an employed population of 24 million, over 9 million are now in superannuation schemes of one sort or another. Many of these are manual workers. Increasingly it is becoming a matter of chance whether a man has superannuation rights or not. Two nations are rapidly being created in this field, with the division between them of a peculiarly haphazard nature; and the haphazardness will almost certainly increase the sense of unfairness.

The Problem Stated

What is to be done? A state insurance scheme with a universal entitlement to a flat rate of benefit cannot deal with the problem. Whatever the rate of benefit, the differential between the two groups would not be removed. If the rate were high enough to give a decent standard of living to those who have no other income, the treatment of those with superannuation rights would be excessively generous; and, more important, the cost of such a scheme would be prohibitive. The extremely pessimistic assump-

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tions about an increasing number of old people depending upon a declining working population which were current at the time of the Beveridge Report have now been partially discarded. Even so, the anticipated deficit on the National Insurance Fund at present rates of pension will be £310 million by 1971. If the pension were raised to £3 a week, it would be £566 million. If it were raised to £4 (a modest enough sum) the deficit would be enormous. If the Exchequer were left to bring the position into balance, not only would the taxation burden be very heavy, but the insurance element in the scheme would largely disappear. And this element, making the benefits a matter of contractual right and not of changing Government policy, has long been regarded as of great importance.

The alternative approach – that of increasing contributions sufficiently to cover the deficit resulting from a tolerable rate of pension – would be equally undesirable. A flat rate insurance contribution is the most unfair form of tax. Not merely is it not progressive, as is the income tax; it is not even proportional as, in a rough and ready way, are most indirect taxes. The present contribution of 9/11 a week is already a heavy burden on someone earning £7 or £8 a week. Any further substantial increase would be out of the question. It would impose great hardship; and it would make the National Insurance scheme into a major instrument of regressive redistribution. Even now, the combined burden of National Insurance contributions and income tax is proportionately heavier upon a man earning £8 a week than upon one earning £25, assuming a wife and two children in both cases. We can proceed no further in this direction.

Should it then be left to the growth of private schemes to provide a gradual solution to the problem? In five years time the 9 million already included may have grown to 12 million and in ten years time to 18 million. Would this not be an adequate rate of progress? There are three powerful objections to this course. First, from the individual's point of view, it would not remove the haphazard unfairness of the present system. Broadly speaking it would discriminate severely against the employees of small firms, for very few of these firms are likely to undertake adequate schemes for all their workers; and in an industry

dominated by small firms and casual labour, such as the building trade, even the big firms might make no move forward.

Secondly, from the point of view of the State, the dilemma of having a large section of the population reasonably provided for in old age, and the remainder dependent upon an inadequate National Insurance pension, would not be ended. Either the second group must be left to depend upon National Assistance, with all the political complications this involves and the pretence of the *right* to a subsistence pension completely abandoned, or we are back to the difficulties of cost discussed in the previous paragraph.

Thirdly, private schemes, even when they are fully satisfactory in other ways, almost never carry with them rights of transferability. So long as they exist on a piecemeal basis, this is natural, and almost inevitable. An employer introduces a scheme in order to increase his recruiting power and improve his prospects of retaining his workers when he has got them. From his point of view it would be self-defeating to allow an employee to lose nothing by changing his job. It is therefore very unusual for a man leaving a firm to take with him anything more than the contributions he himself has paid, perhaps with accrued interest. In these circumstances it is difficult for him to fit into another pension scheme, particularly if he is fairly far advanced in age.

The result, for the individual, is that from about forty-five onwards he becomes virtually a prisoner of his superannuation scheme. Many men refuse promotion or stay in an uncongenial job because they cannot take their pension rights with them. The result for the nation is that a highly undesirable rigidity is introduced into the labour market. And the more common private superannuation schemes become, *without transferability provisions*, the worse will be the position. Eventually almost the whole working population might find itself frozen into its existing jobs.

For these three reasons alone, State intervention seems inevitable if the problem is to be solved. What form should it take? The possibility of proceeding by full-scale Exchequer subsidy has already been rejected on the ground of cost. If the State scheme is to fill the gaps left by the private schemes rather than to replace them, it would also be impossible on the ground of fairness. It is

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hardly reasonable to finance the pensions of half of the population out of general taxation and leave the other half to be paid for privately. The possibility of proceeding by increased flat-rate contributions has also been rejected.

Should we then consider a State scheme based on graded contributions and having, as its almost inevitable corollary, graded benefits? Some would recoil from this as a betrayal of the State's duty to treat all citizens alike and to exercise an equalizing effect through its social policy. Is this really a logical position? Wages are not equal, let alone other incomes. This may be a good thing or a bad thing. But it is certainly a fact, and one which shows no immediate sign of ceasing to exist. And if a measure of inequality is to be allowed (and even encouraged), not only by the State but by trade unions and by public opinion, during working lives, is there any reason why it should be abolished (for those outside private superannuation schemes) at the moment of retirement?

A man's needs in old age are partly conditioned by his standard of living when he was at work. If all that the State could hope to do, as at the time of Beveridge, was the provision of a bare minimum, a flat rate would no doubt be right. But if more is to be attempted, it is surely reasonable that facilities should be offered for a man to spread his earning power over his life and to cushion himself against a sudden fall in his standard of living. Ceasing to work will inevitably bring hardship if it forces a man, for financial reasons, to give up a circle of friends or to break a pattern of leisure activities. Such deprivations can only be avoided by a graduated scheme in which both contributions and benefits are related to earnings. This is recognized in all existing schemes – not merely those which are strictly 'private' in the sense that only an individual employer and an insurance company have been concerned with drawing them up – but also in those for which the central government, or local authorities, or nationalized industries are responsible, or about which the trade unions have been closely consulted.

There seems no reason why a State scheme should not follow this well-worn pattern, subject to one proviso and to one possible modification. The proviso is that Exchequer money, raised out of general taxation, should not be used to subsidize unequal benefits

and thus to give more to the better off. The graduated portion of any State scheme – not of course, the basic pension – would therefore have to be wholly paid for by the contributions of employer and employed. The modification is that, while preserving the basic idea of graduation, some limited redistributive effect should be introduced into the graduated part of the scheme. Those with very small incomes should be entitled to a proportionately larger graduated pension than those with bigger ones. An attempt should be made to amalgamate the principles of absolute and relative need.

The Labour Plan

It was against roughly this background that the Labour Party drew up and published its National Superannuation proposals in the summer of 1957. The details of these proposals can best be studied in the pamphlet itself; but their broad outline is as follows. First, the basic pension would be raised to £3 a week, and subsequently adjusted to meet any upward changes in the cost of living. On top of this, for those who are not already members of approved schemes, would be erected the new graduated National Superannuation plan, designed to give to the average wage-earner (with the basic pension) approximately half-pay on retirement. Existing private schemes would not be superseded, provided the benefits they confer are as good as those of the national scheme, that these benefits are available as of right and not merely as a reward for loyal service, and that full transferability is guaranteed. If a scheme fulfills these conditions, its members will be free to contract out of the national scheme. But freedom should apply both ways. Individuals must also have the right to opt for the national scheme, and membership of an occupational scheme should not therefore be made a condition of employment.

In addition to the policy statement, the Labour Party published the draft of a 'model scheme' which had been worked out by a technical sub-committee composed of three social scientists. The figures put forward in this model scheme were not intended to commit a future Labour Cabinet – to enter into such detailed commitments without full advice from the Government Actuary

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and other officials would be extremely foolish – but merely to give a general picture of the relationship between contributions and benefits which might prove possible. These showed that, on the assumption of an employer's contribution of 5 per cent of his wage bill, an employee's contributions of 3 per cent of his earnings, and an Exchequer contribution of 2 per cent of the national income from employment (this would not offend the principle that taxpayers' money should not be used for a differential scheme, since it would in itself be insufficient to meet the cost of the £3 basic pension), the following benefits (inclusive of the basic pension) should be available for single individuals when they reach 65:

<i>Average weekly earnings</i>	<i>Number of Years of Contribution</i>														
	10			20			30			40			50		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
£6	3	10	0	4	0	0	4	5	0	4	10	0	4	10	0
£12	4	0	0	5	0	0	5	10	0	6	0	0	7	0	0
£18	4	10	0	6	0	0	6	15	0	7	10	0	9	0	0
£24	5	0	0	7	0	0	8	0	0	9	0	0	11	0	0
£60	8	0	0	13	0	0	14	8	6	14	8	6	14	8	6*

In addition, a married man whose wife had no pension rights of her own would be entitled to an extra 30/- a week throughout.

The failure of the pension of the £6 a week worker to rise after the fortieth year of payment is due to its reaching 75 per cent of his earnings by that date, which is proposed as the maximum proportion; and the failure of the pension of the £60 a week worker to rise after the thirtieth year is due to its having reached £750 per annum, which at present wage levels is proposed as the absolute maximum. This absolute maximum would not give the high earner the bad deal which may at first sight seem likely, for it is also proposed that contributions should be levied only up to about £2,000 a year. Anyone earning above this sum could participate in the scheme, but contributions would not be chargeable on income above the limit.

* These benefits assume (possibly optimistically) a stable price level and (almost certainly pessimistically) no increase in the real national income. The position if either (or both) of these assumptions proves unjustified is explained on pp. 111–12.

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Nevertheless, as has been stated and is indeed obvious from the figures, there would be an element of redistribution in the plan. The £6 a week contributor would get a 67 per cent pension after 20 years and a 75 per cent pension after 50 years; the £12 a week contributor would get 42 per cent after 20 years and 58 per cent after 50 years; the £18 a week contributor 33 per cent after 20 years and 50 per cent after 50 years; the £24 a week contributor 29 per cent after 20 years and 46 per cent after 50 years; and the £60 a week contributor 22 per cent after 20 years and 24 per cent after 50 years. As, however, the last-mentioned contributor would have £1,000 of his income in respect of which he would be making no contributions, it would be reasonable to expect him to make some private arrangement on top of the State scheme which would bring his total pension nearer to 50 per cent of his pre-retirement income.

A large part of the redistributive element in the scheme comes from the general entitlement to the basic £3, which of course bulks much larger in a pension related to a £6 a week income than in one related to a £24 a week income; and as this entitlement begins as soon as the scheme comes into operation and does not depend upon the build-up of contributions, the redistributive element is correspondingly more important in the early days.

Under the 1946 National Insurance Act there was a much greater degree of 'blanketing-in'. Those who were already advanced in life became entitled to the full pension after paying contributions for only ten years, which was long before they had 'earned' it in any actuarial sense. This is the main reason for the large prospective deficit on the existing National Insurance fund; and the main reason, too, why the same practice cannot be followed with the new graduated scheme. A deficit means an Exchequer subsidy, and 'blanketing-in' to a graduated scheme would in consequence mean that those with bigger incomes would receive bigger pensions, for which they had not paid, out of general taxation and by virtue solely of the fact that they did have bigger incomes. This would be the reverse of justice; and its avoidance necessarily means that the graduated scheme must come into operation gradually. The basic £3 is the short-term holding operation. The purpose of the more ambitious dif-

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ferential element is to advance to a position in which nobody is dependent solely on his basic pension.

The 'model scheme' also indicated what the 3 per cent contribution would mean to different individuals, and how their weekly liabilities would compare with those under the existing scheme. At present, before the coming into operation of the Governments' new Act (see pp. 113-15), the National Insurance contribution is 9/11. Of this sum rather less than half goes to pay for retirement pensions. The remainder goes to pay for unemployment and sickness benefit, death and maternity grants, industrial injuries, etc., as well as to make a small contribution towards the cost of the National Health Service. It is assumed that this remainder - about 5/4½d. a week - would continue as a flat-rate contribution. The 3 per cent would be a variable supplement to it. The total contribution payable at different earnings level and the comparisons with the present position is shown below:

<i>Weekly earnings</i>	<i>Proposed total contribution</i>	<i>Change from present contributions</i>
	s. d.	s. d.
£6	8 11½	- 11½
£8	10 2½	+ 3½
£10	11 4½	+1 5½
£12	12 6½	+2 7½
£15	14 4½	+4 5½
£20	17 4½	+7 5½

Thus the liability of the lowest paid workers would be reduced. That of those earning up to the average wage would be only fractionally increased. And a substantial increase would fall only on those earning above £15. But their benefits would be correspondingly great. A £20 a week contributor would face a 75 per cent increase in his weekly liability. But his pension entitlement, if he entered the scheme at the beginning of his working life, would be increased by 280 per cent; and by 150 per cent if he entered it at the age of forty-five.

There is another important aspect of the proposals which should be mentioned; and this point, being concerned not with figures but with principles, is contained in the policy statement

to which the Labour Party is committed, and not in the purely illustrative 'model scheme'. Many private schemes relate pension rights to a man's earnings in his last five years before retirement. This is generally helpful to professional and clerical workers, but would be unfair to manual workers whose peak earnings often occur earlier. It is therefore proposed that National Superannuation should be related to a man's earnings over his whole working life. But this immediately raises the problem of changing wage standards. A man earning £12 a week today might have been paid £3 a week thirty years ago for doing the same job. His average lifetime earnings might work out at about £7 10s. and his 50 per cent pension entitlement at £3 15s. This would be quite inadequate in relation to his final £12 a week, and would in no way break the connexion between retirement and a standard of living collapse.

To meet this, the Labour Party proposes a system of 'dynamic' pensions. The principle is that the value of a man's contributions in any one year should be scaled up to take account of the increase in average national earnings which had occurred between that year and the date of his retirement. What is involved can perhaps be made clearer by an example. Average earnings are now about £13 a week. In 10 years' time they will no doubt be higher. If the cost of living were held steady, but productivity encouraged to grow, £16 or £17 might be a reasonable figure. If, in addition, prices were allowed to go on rising at the rate of the past few years, the figure might be £20 or more. Let us assume it is £18. In that event, 1959 contributions would be multiplied by $18/13$, the 1962 contributions by, say, $18/15$, and the 1965 contributions by, say, $18/16$. The sum would only be worked out on this basis for those who retired in 1969. For those who retired in 1975, when average earnings might have reached £21, or 1985, when they might get to £30, it is these figures that would form the multiples of the respective fractions.

The object of these adjustments would be not merely to prevent the value of the contributions from being eaten away by inflation, but also to preserve the *relative* position of the pensioner. By contributing a given share of his earnings he would be acquiring the future right to a fixed share of the national income,

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whatever increases in prices or productivity might in the meantime have occurred. The burden on the national economy of such a provision would not be as great as it sounds. However sharply incomes rose, the *proportionate* commitment would not increase; and there is no reason to suppose that a well-invested pension fund (which is an essential element in the proposals) would not appreciate at least as quickly as the national income.

The Conservative Reply

These were the main heads of the Labour Party scheme. Its publication aroused widespread interest and some controversy. The Life Offices' Association (a body whose knowledge of the problem may not be fully matched by its impartiality towards a further State advance into the insurance sphere) had anticipated publication of the Labour Party statement by giving its own views in favour of piecemeal development along the present lines, and putting forward a series of objections to Government action. Mr Boyd-Carpenter, the Minister of Pensions and National Insurance, soon joined in the attack. He challenged the statistical assumptions on which the model scheme was based (while refusing to provide what he regarded as the correct ones) and may have scored some minor dialectical successes. But if Mr Boyd-Carpenter himself was satisfied with this peripheral sniping, more powerful members of the Government were not. They recognized that the Labour Party proposals had broken new ground and made a great impact on public opinion. The discussion of pension issues could never again be conducted within the previous limits. Accordingly, at the 1958 Conservative Party Conference, exactly a year after Mr Crossman had triumphantly presented the Labour Party proposals at Brighton, the Government announced that they were to have a National Superannuation scheme of their own. This scheme was before the House of Commons during the last session and is now on the statute book although not yet in operation.

Rarely can there have been a clearer example of one party forcing another towards a policy in which it had previously shown no interest. Mr Macmillan's own mind, indeed, turned irresistibly towards 1867, when Disraeli decided to outflank Gladstone and

carry through a Reform Bill of his own. This was the occasion when Disraeli claimed that he had caught the Whigs bathing and run away with their clothes. Mr Macmillan, seeking to add a phrase of his own and remembering where Mr Crossman and Mr Gaitskell were at school, suggested that he had merely borrowed a couple of old Wykehamist ties. But there is one striking difference between the behaviour of Disraeli and that of Mr Macmillan. Disraeli, when he decided to borrow from the Whigs, did so on a generous scale. The Reform Bill which he carried went rather further than the one which the previous Government had presented. Mr Macmillan is a less open-handed borrower. He has taken enough from the Labour Party to be able to say that he too has a National Superannuation scheme, and to hope that the public will find it difficult to judge between the two. But he has not taken nearly enough to achieve the main objective of banishing poverty in old age.

For at least four major reasons the Conservative scheme is a thoroughly inferior version of the Labour one. In the first place it makes no attempt to fill all the gaps left by existing private schemes. It is confined to the wage-band between £9 and £15 a week. The assumption presumably is that those under £9 need no supplement to the basic pension, and that those above £15 can be depended upon to make their own provision. But even within these narrow limits the scheme is not universal. The self-employed are not included. As a result the Conservative scheme, even when in full operation, will not do away with the problem of leaving some people wholly dependent upon the basic pension.

Secondly, the benefits for those within the limits of the scheme are pitifully small. The maximum pension increase which can result is 41/- a week. This will accrue to a man who enters the scheme at the age of eighteen, earns £15 a week or more throughout his life, and retires at sixty-five. Nobody will be able to reach this maximum before the year 2006; and there is no provision for guaranteeing the pensions against inflation, let alone for gearing them to the general standard of living. The prospect is not in consequence a very enticing one.

For those entering later than eighteen or earning less than £15

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a week the benefits are still smaller. At £10 a week the maximum additional pension that can be earned, even by an eighteen-year-old entrant, is 6/-. One independent survey shows that in seventeen years' time two-thirds of the participants in the scheme will still be receiving no more than 5/- a week above the basic rate. This is hardly a recipe for removing poverty from old age.

Why are the benefits so poor? The Government's answer is that the contributions are much lower than those suggested in the 'model scheme' attached to the Labour Party's proposals. They are certainly somewhat lower, but hardly sufficiently so to account for the difference in benefits. At £10 a week an employee would pay 9/2 under the Conservative scheme and 11/4½ under the Labour Party model. At £15 a week the respective rates would be 13/5 and 14/4½. In addition, the employers' contributions suggested in the Labour Party scheme are appreciably higher than those proposed by the Tories. But the low contributions of the Conservative scheme are to some extent illusory. It is envisaged that they will rise automatically, at five-year intervals, for the next twenty years. At the end of the first decade, the £10 a week contributor will have more than lost the reduction from present rates which he is now offered.

If the scale of contribution does not fully explain the inadequacy of the benefits, what does? In part the trouble is the low upper limit. No private scheme would think of operating under a condition which restricted contributions to earnings under £15 a week. But more important – and this is the third major count against it – is the fact that the Conservative scheme is designed not so much to provide a national system of superannuation as to relieve the Exchequer of much of the cost of existing pensions. The *Economist* has put the position very clearly. 'The main feature of the scheme,' it wrote on 18 October 1958, 'indeed in some ways its whole essence, is that it is expected to save the Exchequer £99 million in its first year of operation, rising to no less than £428 million in 1981–2.'

Saving the Exchequer money, of course, is in itself a good thing. But it is an operation which is inherently unlikely to produce a good supplementary pensions scheme as a by-product. Furthermore, in judging its value one must have regard to who

to meet the liability which would otherwise fall upon the Treasury. In this case the answer is clear. Primarily it is those with incomes between £9 and £15 a week who are not enabled by their membership of an accepted private scheme to contract out of the national scheme. What possible principle of justice is served by taking liability for the prospective deficit of the National Insurance Fund off the taxpayer generally and placing it upon this particular wage-band is difficult to imagine; and the point gains still greater force when it is remembered that a large part of the deficit on the 1946 scheme arises from the 'blanketing-in' after ten years of those not previously covered by National Insurance because they were earning over £420 a year (equivalent to about £750 a year at present prices). Burdens arising from the favourable treatment of those with more than £15 a week are to be placed firmly on incomes up to this level.

Those with incomes of over £15 a week will of course have to contribute to the new scheme *on the first £15 of their income*, unless they are self-employed or able to contract out. But it is clearly envisaged that many of them will be able to contract out and the proportional burden on the remainder will obviously be less than on those earning under £15.

The fourth major objection to the Conservative scheme is that it makes no provision at all for improving the basic pension. This may come as a pre-election tit-bit. But, on the basis of the bill passed by Parliament, those who have already retired and those earning under £9 a week can look forward to no improvement. However rapid the rise in the general standard of living, the Government offers to a million people a prospect no more encouraging than continuance on the subsistence level of National Assistance.

The Cost of the Labour Plan

These are the main reasons why the Government scheme is so markedly inferior to that of the Labour Party. Except, indeed, for the small element of graduation and for the provision that transferability rights should be introduced into private schemes there is little in common between the two. Does this divergence mean that the Labour Party plan is dangerously prodigal? Does

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it involve an enormous liability for the future which the State will be able to meet only at the expense of swingeing increases in taxation? These are natural questions to ask, but the answers are highly reassuring.

Let us compare the State plan with the private plans which have been increasing rapidly in recent years. For top-grade employees these often involve very large benefits – a pension of two-thirds of maximum salary plus a big lump sum is not an uncommon arrangement. But it is not suggested that these schemes, however widely they spread, are inflationary or dangerously mortgage the future. On the contrary they are generally regarded as making an important contribution to the thrift of the nation. 'The additional funds that would thereby be made available for investment would play their full part in the development of industry that is so necessary if in the years to come the standard of living is to be steadily increased and promised pension benefits are to be properly secured.' This sentence is from the pamphlet of the Life Offices' Association, urging the further proliferation of these schemes and attacking State intervention. But why do these considerations not apply to a national scheme? Why should an endless series of private schemes provide valuable investment funds, but a properly-financed State scheme be regarded as burdening the future? Except in terms of prejudice there is no answer.

It cannot be doubted that the scheme envisaged by the Labour Party would make large additional savings available in the next few decades. If the plan came into operation in 1960 the immediate result, allowing for the increase in the basic pension, would be an improvement well in excess of £200 million a year over the position of the old fund. In 1980, even making the highly pessimistic assumption that there had in the meantime been no increase in the national income, the improvement should be of the order of £160 million. During the next crucial twenty years when, if our economy is managed properly, we should be investing hard, the National Superannuation scheme will make a positive and substantial contribution towards meeting the bill.

In subsequent decades the liability upon the fund will become heavier. In 2030, the designers of the 'model scheme' estimate,

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about £470 million more will fall to be paid out than in 1980. The contribution income will not have increased (except as a result of increases in earnings, which will involve corresponding increases in pensions) but the investment income will have done so substantially. And the national wealth should by then have increased to such an extent that the problem will be relatively small. A national income five or six times the present is a fairly modest target for the second quarter of the 21st century. The carrying of a deficit of about £300 million – not astronomical even by today's standards – would then be easy.

All this is peering into a very distant future. What is clear is that for at least the next twenty years a National Superannuation scheme along the lines suggested by the Labour Party will improve and not worsen the national finances. It will of course mean that a larger proportion of resources will be consumed by the retired and, therefore, a smaller proportion by the rest of the community. But the higher contributions are designed precisely to facilitate this redeployment.

Some may fear that it will be a false facilitation. Neither employers nor employees, it is sometimes suggested, will bear the additional burdens placed upon them. The one group will push up prices and the other wages. All that will result is a big twist to the inflationary spiral. Here again the answer is a comparison with private schemes. If the indefinite multiplication of these is not inflationary, why should a State scheme be so? There is no evidence that workers are unwilling to make the immediate sacrifice involved in the introduction of a private scheme. The trade unions would be very foolish if they allowed a different attitude to be taken towards a State scheme, and thus gravely damaged a major prospect of social advance.

In general the Labour Party's National Superannuation proposals are a good example of its undogmatic approach to State action. The existence of a real and keenly-felt pension problem can hardly be denied. The Labour Party has applied itself to this practical issue and suggests using the State, not to destroy the private schemes which already exist, but to build around them, fill in the gaps, and provide a good system of benefits for those who are at present excluded.

8. WILL IT COST TOO MUCH?

ONE of the most dearly-prized myths of what that distinguished American, Professor J. K. Galbraith, calls 'the conventional wisdom' is the view that this country is staggering under the burden of top-heavy and extravagant social services. These over-expanded services, it is suggested, apart from molycoddling large sections of the population, prevent most people from spending their money as they wish, and impair our competitive position in the world by imposing penal rates of taxation upon British industry and enterprise.

This argument (if it can be so called) is fallacious in almost all respects. The one valid statement is that we have high rates of taxation in the country. So we do, although the difference between ourselves and, let us say, the United States is much less than is often imagined. The Americans pay lower rates on middle incomes, and have lower indirect taxes. But the total effect of their income tax system is to reduce average income per head by $12\frac{1}{2}$ per cent, whereas the total effect of ours is to reduce it by only 9 per cent. Furthermore, they have very stiff rates for the highest incomes; their company taxation is rather higher than ours; and they tax capital gains.

Nevertheless the fact remains that taxation as a whole takes a higher percentage of the national income in Britain than in most other countries. But the reason for this is not that we are groaning under an excessive social service expenditure. Much more is it due to high defence expenditure and a huge national debt. The former is also the main reason why the proportion of the national income taken by the Government is now higher than it was before the war. Defence now takes 7.3 per cent of the gross national products as against 4.8 per cent in 1938. The proportion of the gross national product devoted to social services paid out of general taxation, on the other hand, rose only $9\frac{1}{2}$ per cent in 1938 to $10\frac{1}{2}$ per cent in 1956. This small increase is almost entirely to be accounted for by shifting a higher proportion of the

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cost of medical care from private persons to the Exchequer. Payments for private medicine took $1\frac{1}{2}$ per cent of the national product in 1938. Today it is doubtful if they take as much as a $\frac{1}{2}$ per cent. The real burden of health costs has therefore not increased at all, although much that was previously paid for by private individuals is now paid for by the State.

If that part of the insurance benefits which is paid for not out of general taxation but out of specific contributions is included, the picture which emerges is somewhat different. On this basis social services took $11\frac{1}{2}$ per cent of the gross national product in 1938 and 14 per cent in 1956. Even these figures show a much less steep proportionate rise than in the case of defence. Furthermore, national insurance contributions, while equivalent to taxation in the sense that they are a compulsory payment to the State, are free of what are often considered the main disincentive features of our welfare state taxation arrangements. There is nothing redistributive about them. The higher the income the less heavily they bear. It is also the case that if insurance contributions are counted in, Britain's taxation burden, in relation to that of other countries, looks much less heavy. The Germans, for instance, devote a big slice of their national income to a graduated system of insurance benefits which are financed outside the Budget, but which involve a compulsory levy upon individuals and firms. The French have a social security and family allowance contribution which adds 35 per cent to the cost of employing labour.

On the figures, therefore, there is no evidence of inflated welfare services in this country. In some fields, indeed, exactly the reverse is true. Education, in particular, limps along on a thoroughly inadequate 3 per cent of the national product; it was getting $2\frac{1}{2}$ per cent as long ago as 1922. Nor is the evidence of our eyes any more conducive to the view that extravagance and over-lavish services are the order of the day. Look at the condition of our hospitals – more resources were devoted to building new ones in the 1890s than in the last ten years – and of many of our schools. Compare them with the vast prestige buildings, often of hideous design, which are currently being erected by many large private firms. They all make a claim on national resources; and

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it is at least arguable that a visitor to a hospital is in more need of convenient, attractive surroundings than a visitor to even the most important oil or paper company. Yet where is there evidence of greater extravagance?

The view that over-generous social services make this country stand out as an island of high taxation can therefore be rejected. Our social services are not particularly generous, and most of the benefits accruing to the lower income group are paid for, not by redistributive taxation, but by these groups themselves. Nor is the associated view that high progressive taxation automatically acts as a drag upon initiative and enterprise at all well substantiated. The Royal Commission on the Taxation of Profits and Income, which reported in 1955 after four years' intensive work, took a contrary view. 'If we are asked to infer that heavy rates have particularly disincentive effects on the receivers of the higher levels of income,' their report said, '... we are bound to reply that we see no evidence that the higher income earners are specially influenced by disincentive.' Nor is there any worthwhile evidence that industry's will either to produce or to invest is adversely affected by high business taxation. A generally buoyant economic climate is a far more important incentive in these directions than high taxation is a disincentive.

High taxation, however, even if it does not have all the dire consequences which are often attributed to it, is obviously not something to be welcomed for its own sake. Even if it is not seriously disincentive, it is certainly unpleasant. It is also unpopular. A reluctance to pay money to the Inland Revenue is an almost universal human characteristic. If the payments become so substantial as to take a big slice of the taxpayer's income the reluctance obviously grows; and, even if no other incentive is decreased, the incentive to explore all possibilities of tax avoidance is certainly increased. Nobody should be censorious of a big surtax payer, or of a small one, or of anybody else, because they dislike paying their taxes and wish they did not have to pay so much. This is a perfectly straightforward attitude, and one much preferable to the hypocritical approach of cloaking dislike of a personal burden in a high-sounding theory of damage to the economy.

No sensible person therefore wishes to raise our present level of taxation. The social services are not nearly as costly as is sometimes made out, and the disincentive effects of progressive taxation are greatly exaggerated. But the fact remains that we are relatively a highly-taxed country, and that to go much further in this direction would run against the settled desire of most people to spend a large part of their income in their own way.

The Financial Implications of the Labour Programme

It is therefore reasonable to question closely how the programme which the Labour Party has announced, and of which some has been discussed in the previous chapters, is to be financed. But it is not reasonable to distort the facts in the way that Conservative Party spokesmen have been determinedly doing. The Labour programme is a gradual one, to be carried out over five years, and is based on the assumption that, during this period, we shall get a moderate rate of growth in the national income. This ought not to be a rash assumption. Mr Butler, after all, predicted that we could double the standard of living in twenty-five years. Under his successors we have fallen far behind on schedule. But it would surely not be rash to predict a return to the rate of economic growth which he postulated and which has been maintained or exceeded by most of our competitor countries in nearly every recent year.

On the basis of this moderate assumption, let us look at the budgetary prospect under a Labour Government. First, there must be cleared out of the way any misunderstanding which may exist about measures involving a mere transfer of ownership. A Labour Government is committed to renationalize the steel and road haulage industries. There is also the intention of encouraging local authorities to proceed with a gradual acquisition of rented houses in their areas. These transactions will involve large sums of money. But it would be a great mistake to regard them as a charge on resources in the same way as, for example, the increase to £3 in the basic retirement pension, or the stepping-up in the rate of school building, or the improvement in the condition of rented houses which should follow their acquisition.

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The canons of sound finance do not require the purchase of capital assets by the State to be paid for out of current revenue any more than they require the whole cost of a house to be paid for out of the purchaser's income for one year. The previous owners of these assets are unlikely to be paid out in cash. If previous practice is followed, they would be given fixed-interest securities, either Government bonds or stock specifically related to the industry concerned, to the value of their holdings. Even if they were given cash, however, there is no reason to suppose that it would be spent rather than reinvested. It is not unknown, of course, for people to spend their capital on current living expenses, but the decision to do this, or, conversely, to add to capital by current saving is based much more upon individual circumstances and temperament than upon the form in which the capital is held. If a man wishes to spend his capital, he does not require the State to take over his assets to enable him to do so. He can sell them on the open market at any time he chooses.

The position is reinforced if the compensation is paid in bonds and not in cash. An individual holder can, of course, get cash if he wants it. But he has to find someone else who will give him the cash in exchange for his securities. Over the community as a whole, the balance between free spending power and tied-up capital assets is not affected.

This is not just a theoretical argument. The transfer of assets to public ownership reached its spate in the spring of 1948. In April the electricity industry was nationalized. In May the railways, road haulage, and other transport undertakings were transferred to State ownership. Compensation payments in excess of £1,000 million were involved. If these transactions had been in any way equivalent to an ordinary increase in Government spending, the result would have been the generation of an enormous inflationary wave. This did not occur. As has been pointed out in a previous chapter, the whole period since the war has been a dismal one from the point of view of price stability. But the two years which stand out as showing the closest approach to a steady cost of living are those which followed the spring of 1948. Only in 1953 and 1954, when falling import prices (which did not apply in 1948-50) gave enormous help, was an

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almost equivalent stability achieved. Whatever may be the other merits or demerits of transferring assets to public ownership, it has no inflationary consequences.

Such transfers do, of course, increase the volume of public indebtedness. If the bonds which are issued are directly linked with the industry taken over, they will not increase the National Debt as such. But they will increase the volume of securities upon which the Treasury could not allow a default to occur. This will not increase the burden upon the Budget, however. The revenue earned by the assets acquired will be available to meet these liabilities. In the case of the highly profitable steel industry it should be several times more than sufficient. Projects for public ownership do not therefore involve any additional burden on resources, or any increase in taxation.

This does not apply to all the other items in the Labour Party's programme. Bigger pensions, better schools, and the abolition of health service charges are substantial commitments. And there are others as well. How will they be financed? The size of the burden must first be assessed. This cannot be done with precision. It is not certain what will be the level of Government expenditure when the Labour Party comes into power, in what order, or at what speed, the Labour Cabinet would decide to fulfil its commitments, or what would be the exact form or cost of particular proposals. All that can be usefully attempted is an honest guess at the order of magnitude involved and at its implications, both for taxation and for the general allocation of the nation's resources.

First, current expenditure in the social services field. The outstanding item here is pensions. If no change were made in the basis of the existing scheme, Exchequer contributions would have to rise at the rate of about £40 million a year, and would be £220 million above the present level by 1964-5. In addition the implementation of the Labour Party's promise to raise the basic pension to £3 a week would cost another £105 million a year. But the Government's own superannuation scheme, which has now passed into law, will considerably reduce this liability. It will save the Exchequer £99 million in its first year of operation and an additional sum of about £20 million in each subsequent year.

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The Labour Party scheme, as was explained in Chapter 7, will also have the effect of bringing in much more in the early years than will fall to be paid out. But it will no doubt take a little time to implement. What would therefore seem reasonable is to assume that the Conservative Bill, until amended by a Labour Government, will take charge of the increased Exchequer liability, and that the Labour Bill, when it comes in, would take charge both of this and of the cost of the additional 10/- a week, but that there might be an interim period, probably a year but possibly two years, during which the £105 million cost of this would fall on the Exchequer. This additional charge should be allowed for in the early years of a Labour Government.

The Health Service commitments are relatively precise. The removal of charges will cost £24 million, and the abolition of pay beds £3 million. £15 million might be allowed for the development of group practices, of local authority welfare services, and of mental health services. In addition, some allowance should be made for the increased use of the service to which the abolition of charges is likely to lead, and for natural growth. If £25 million is allowed here, the total extra cost would be £65-£70 million a year.

The current account education commitments could be put as low as £45 million. This would be made up of 60 per cent (assuming the local authorities would pay the remainder) of the £25 million cost of providing the extra teachers to reduce the size of classes to the statutory maxima of forty and thirty; 60 per cent of the £10 million cost of providing extra teachers for technical colleges; 60 per cent of the £4 million cost of giving more generous maintenance grants for school children; £14 million for additional and more generous university grants; and 75 per cent of the £10 million cost of a miscellaneous series of developments, including school meals, the youth service, nursery schools, etc. These figures do not include capital items – mainly school or university building – which are dealt with elsewhere, but in my opinion they are nevertheless much too low. A real educational drive will cost a good deal more than this. It would be wise to include the whole cost of any improvements (and not allow for any local authority contribution) and then to add 50

per cent. This gives a figure of approximately £100 million. In addition another £100 million ought probably to be allowed for a variety of miscellaneous items: the stepping up of Government grants to the Colonies, and a more generous policy towards the arts, such as is outlined in Chapter 9, to cite two examples.

The position which therefore emerges is that in the early years of a Labour Government, immediate commitments might involve approximately an extra £175 million of current account expenditure but that, allowing for the disappearance of the pension payment on the one hand and the gradual fulfilment of other commitments on the other, this might rise to £270 million by the fourth or fifth year of the Government. But there should be substantial offsets. Some reduction of defence spending from its present total of just over £1,400 million might be possible by then. A reduction in debt interest should be a more firmly predictable economy. The £5,000 million of floating debt has been a very expensive item in recent years. This cost is falling now, and if this process can be continued (by the reintroduction of Treasury Deposit Receipts or other methods) it should be possible to save £150 million on the 1958 Budget estimates. Conversions due in the early sixties may, on the other hand, add a little to the cost of the long-term debt. On balance a saving of £100-£125 million might be looked for here.

The outlook for current, or 'above-the-line', expenditure is therefore by no means discouraging. What about 'below-the-line', or capital, expenditure? This is in a rather different category, for there is no strong traditional reason why it should be paid for out of current revenue. In 1956-7, for instance, the year of Mr Macmillan's Chancellorship, only £215 million of a total 'below-the-line' expenditure of £836 million was provided out of taxation; the remainder was borrowed. This year Mr Heathcoat Amory is being still more prodigal and is leaving virtually the whole of his 'below-the-line' expenditure to be financed from borrowing. But Labour Chancellors, on grounds both of encouraging public saving and of discouraging inflation, have tended to be more cautious than their opposite numbers in the Conservative Party. It would be wise to allow for covering any additional 'below-the-line' expenditure from revenue, and

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possibly for some shift of the capital needs of local authorities and nationalized industries from private borrowing to Exchequer money provided from revenue.

The additional items of Government capital expenditure will arise principally from the building aspects of the Labour Party's education and health policies, and from the improvement of rented house property. £50 million a year might be allowed for the first two, with the greater part of this sum going to education. The total cost of the third item is estimated at £1,300 million. This is the sum required to bring all rented dwellings up to an approved standard. But the programme could probably not be carried through in less than fifteen years. On this basis the cost would rise to about £100 million per annum during the later years of the next Parliament. It would be met, in the first instance, by the local authorities, but it is assumed that the whole of the money would be advanced to them from the Public Works Loans Board. In addition, to well on the safe side, we might assume a transfer of £150 million of local authority or nationalized industry borrowing from the capital market to the Budget. This gives us capital commitments rising to £300 million which should be added to current commitments rising to £270 million. The total additional sum, estimated on a generous basis, which a Labour Government might have to find, by its fourth or fifth year of office, would be of the order of £570 million.

Taxation Reductions

It may be objected that the estimates are not so much generous as imprecise. The most frequently used words in the preceding sections are 'might' and 'would'. This is inevitable. No exact estimates can be made in advance, and even if they could, any Chancellor of the Exchequer would object strongly to having his hands tied beforehand and in detail. The most that can be done is to judge the order of magnitude, and this I have attempted.

How big a burden is the £570 million? At first sight it looks a lot, and the less literate Tory propagandists will no doubt say that it means an automatic increase of so much on the income tax. But revenue is a function not only of the rates of tax, but also of the size of the national income. The Conservative Govern-

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ment claims to have made great tax reductions, particularly so far as income tax is concerned. Yet between the financial years 1951-2 and 1957-8, Government expenditure rose by £850 million and revenue by £903 million. In the years since 1954-5, the increase in expenditure was £615 million and in revenue £607 million. Unfortunately, particularly during this last period, the buoyancy of the revenue has been caused much more by rising prices than by any growth in the real national income. Had there been substantial real growth as well, the budgetary position today would have been much more favourable than it is. A 3 per cent per annum increase in the national output over the past four years – the rate which was in fact maintained under the Labour Government and was again briefly achieved in 1953 and 1954 – would automatically have given the Chancellor of the Exchequer an extra £450 million a year with which to play. He could have used it either for tax reduction, or for an expansion of services, or for a combination of the two.

A Labour Government must return to at least this rate of growth. This is the central aim of its economic policy, to be achieved for the reasons and by the methods set out in Chapters 4 and 5. In fact, with the amount of slack in the economy at the present time, it ought to be able to do a good deal better than this. A target of a $17\frac{1}{2}$ per cent increase in the gross national product over five years – the same rate of growth that our neighbours in Western Europe are confidently expecting – is an essentially moderate one. But it will be enough to produce (with constant prices) an extra £3,500 of national resources and an additional revenue (at current tax rates) of more than £1,000 million. The budgetary problem therefore falls into place. The commitments of the Labour Party's policy – provided they are not all rushed through in the first year, which nobody has ever suggested – can be carried out comfortably without any question of an increase in the tax burden. On the contrary, they should leave room for substantial tax reductions.

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These commitments, however, should be considered not merely from the point of view of taxation consequences, but also from

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that of calls upon total national resources. Here there are several other claims to be taken into account. The balance of payments, favourable though it has recently been, ought to be fortified still further if the United Kingdom is comfortably to fulfil its overseas commitments and reduce its debts as well. Allowance should be made for an extra £45 million above the 1958 surplus of £455 million. But the highly favourable terms of trade of 1958 may not persist; and if they move against us, the earning of any given level of surplus will cost us more in terms of exports. A 5 per cent deterioration in the terms of trade, which is a pessimistic but by no means an impossible assumption, would cost us £200 million in this way.

The next – and, it is to be hoped, the major item – is the increase in fixed capital formation. The re-equipment of our industry, as has been agreed elsewhere, must take place at a much faster rate. An extra £1,000 million should be allowed on this account. Increased production also means increased stocks – raw materials, work in progress, and finished goods. Between 1953 and 1955 the rate of increase in investment in these averaged £76 million a year. A somewhat greater rate of increase – perhaps £120 million – ought to be allowed for in a future expansionary period.

On the basis of these assumptions a rough and ready balance sheet of the position at the end of the next Parliament can be constructed. On the one side would be the £3,500 million of extra national product. On the other side would be £570 million for increased Government expenditure, £245 million on balance of payments account, and £1,120 million for increased investment, both fixed and floating. The total (with the pessimistic terms of trade assumption) would be £1,935 million, leaving £1,565 million for increased private consumption. This would allow a rate of increase of over 2 per cent per annum over the five years as a whole. If the terms of trade assumption proved false the rate could be nearer 3 per cent. If the investment target were reached fairly quickly, the growth of the national product, and consequently of consumption, should be higher than has been allowed for. Taxation concessions more sweeping than those envisaged earlier would then be possible.

Taxation Reform

The fact that the Labour Party programme is more likely to produce a reduction than an increase in the rates of taxation does not mean that the present *structure* of taxation should be left largely untouched. In many of its aspects it is strikingly unfair, and a Labour Chancellor would be wise to apply himself quickly to correcting this. What are the outstanding defects? Mostly they spring from the single cause that we define income too restrictively. We exclude capital gains. We allow lavish business expenses. We exempt a rather haphazardly chosen range of casual profits. We treat those who happen to have Schedule D incomes far more generously, from an expenses point of view, than those who have Schedule E (P.A.Y.E.) incomes. We give sweeping tax concessions to what are commonly called 'top hat' retirement schemes. And we allow the liability to surtax to be greatly reduced by covenanted payments to dependents.

In these and many other ways the tax base is eroded. The segment of the purchasing power of individuals from which our direct personal taxation is collected becomes increasingly narrow. As a result, the nominal rates, both of income tax and of surtax, have to be very heavy. But for many people, particularly those who own a lot of capital and are able and willing to make use of the best professional advice on the reduction of their liabilities, these rates become increasingly unreal. The true disposable income after tax of these taxpayers is far higher than would seem possible with our present stiff rates of income tax and surtax. Mr Thorneycroft, when he was still a member of the Government, calculated that nobody could now maintain the standard of living which in 1938 could have been purchased by an income of £3,000 unless his gross earnings or investment receipts were above £34,000. But there are of course many thousands of people who enjoy at least this standard of living today. Very few of them, however – less than 800 according to the Inland Revenue – do so on the basis of a gross income in excess of £34,000. Rather do they make use of some or all of the loopholes listed above.

Does this matter? A first reaction might be to welcome it. If taxpaying is unpleasant – which it is – a mitigation of its effects

must be desirable. But this is a very superficial view. There are at least four good reasons why the erosion of the tax base is thoroughly bad. First, although not most important, there are the methods by which it is achieved. Tax avoidance has in recent years become a major industry in this country. As distinct from tax evasion, which is based on the making of false returns and may mean going to gaol if you are caught, there is nothing illegal about it. It involves the arrangement of the taxpayer's affairs, with the aid of the best professional advice, to make the fullest use of every loophole which the law provides.

The extent to which this can be done is well illustrated by a leaflet which was recently sent out to prospective clients by a firm of tax consultants. Under the heading *Limitation and possible elimination of surtax, irrespective of earnings*, the following prospect was held out: 'The extent to which surtax can be eliminated or reduced will depend upon the individual circumstances and desires of each client and the members of his family, but it need have no relation whatsoever to the earning of the entity (*sic*). It is not possible to be more specific in general terms at this stage, but experience shows that in most cases surtax can be eliminated or reduced to a negligible liability.' The striking failure of the surtax yield to increase since 1939 in accordance with the stiffening of the rates and the growth of the national income indicates that this circular is more than an advertiser's puff. At the very least, it can surely be agreed that there are more important tasks than this for the best accounting brains.

Secondly, the present tax system is undesirable because it is hypocritical. It enables us to pretend that we live in a largely egalitarian society, when in fact we do nothing of the sort. It enables the members of the present Government to point with a mixture of pride and horror to the tax rates which we inflict upon ourselves, while their supporters are busy escaping through the loopholes. It is arguable how much equality can or should be promoted by fiscal means. It is at least possible that a largely privately-owned economy could not function efficiently if tax rates of 12/3 in the £ above £4,000 a year, and 17/9 in the £ above £15,000 a year, were a reality and not a fiction. But if this is so, let us say so. Let us charge the rates which the revenue

needs and which the economy will bear, and let us do so upon the whole of a man's income and not just upon a haphazard segment. There can be no excuse for the moral deceit which is involved in the present system.

The third and perhaps principal objection to the system is that it is not only hypocritical but also grossly unfair between individuals. The loopholes are not equally open to everyone. A man who is without capital, whose income comes entirely from a straight salary payment, and whose employer is either unable or unwilling to supplement it with various tax-free benefits, feels the full weight of the nominal rates. Many of those performing the most useful and responsible jobs are in this category, and even if their gross incomes are quite large, the standard of living they can afford is often severely limited. They are the real victims of our present taxation system, for it is they who suffer for the loopholes through which others escape.

Within the framework of practical politics, the size of our revenue needs cannot be drastically reduced. A Conservative Government has now had eight years in which to attempt this and has succeeded on the contrary in increasing expenditure by over £1,1000 million. It is therefore idle to pretend that someone who reduces his tax burden is doing it 'at the expense of the Government', even assuming that this were a desirable thing to do. He is doing it at the expense of other taxpayers and, in particular, at the expense of those who bear the full weight of the high rates which are in part made necessary by the erosion of the base on which they are levied.

The fourth objection to this narrow base is that it produces distortions of economic behaviour. The pursuit of short-term speculative gains, because they are outside the base, distorts the allocation of savings between different forms of investment; and the generous treatment of business expenses encourages much activity, of very doubtful value, which would not otherwise take place.

On grounds of honesty, justice, and economics there are therefore heavy disadvantages to this narrowing of the tax base. The best prospect of reducing the present heavy rates of direct taxation and of achieving a greater sense of justice is to reverse this policy.

The loopholes should be stopped up – some, no doubt, will always remain, but this is no reason for not making them as few as possible; a more stringent eye should be kept on business expenses; and the nearest practicable approach should be made to equating income, in a tax sense, with the standard of living which the taxpayer is able to afford.

One of the most important measures here, and one to which the Labour Party has committed itself in its policy statement, is the introduction of a capital gains tax. There can be no doubt that such gains, coming mainly from appreciation in the value of ordinary shares, constitute in most cases a real addition to the spending or saving capacity of the individuals to whom they accrue. This applies most strongly where the gain results (as it frequently does) from the growth of the assets and dividend-paying capacity of a company. But it also applies to a gain resulting from a fall in interest rates. The gainer's command over goods and services is increased, and his position relative to those who are saving out of current income, or whose capital is not in long-term bonds, is greatly improved. Even where the gain is purely a money gain and the value of the holder's capital merely floats on top of an inflationary wave, the gain is still 'real' in the sense that the holder's assets are insulated against inflation in a way that those of most other people are not.

Taxable capacity is a relative, not an absolute, concept, and it would be difficult to dispute that in most periods of inflation the best recipe for prosperity is the holding of ordinary shares. This would not matter, from the point of view of equity, if all taxpayers participated in the benefits. But they manifestly do not. The Inland Revenue has calculated that those who make effective capital gains are limited to about 300,000. The exclusion of these gains from the tax base therefore constitutes an important discrimination in favour of a small group in the community.

Would their inclusion justify the trouble which it would involve? While it could not be argued that a capital gains tax is administratively impracticable – in the United States it is as old as the income tax itself – it would clearly put a good deal of extra work on the Inland Revenue. What might be the yield?

The Minority Report of the Royal Commission on the Taxa-

tion of Profits and Income argued powerfully that, for the past 90 years, the average annual growth in company profits has been at the rate of about 4 per cent; that in the long run both dividends and share values increase at about the same rate as profits; and that the future is likely to be at least as buoyant as the past in this respect. The authors of this Report therefore assumed, somewhat conservatively it may be thought, a future trend of profits showing an annual growth of 3-5 per cent, a rate of increase which would give average annual capital gains, on account of ordinary shares alone, of £500-£800 million. As an extension of the tax base this would be well worth the trouble.

What rate of tax should these and other gains bear and what should be the other details of the scheme? In strict theory there is no reason why capital gains should not bear the full burden of progressive personal taxation – as was indeed the position (although with lower rates of tax) in the United States until 1922. But in strict theory it would also be desirable to levy the tax upon gains when they occurred and not merely when they were realized. This, however, is manifestly impossible. It would involve an annual valuation of each taxpayer's estate.

In practice, therefore, realized gains must be the basis of the charge. In order to prevent this leading to avoidance, it would be necessary to depart from the American practice and treat death or bestowal as the equivalent of realization. Provided this were done, there should be no difference in yield (except one of time) between making accrual and realization the basis of the tax.

Taxing gains which had accrued over a number of years at the date of their realization might, however, under a progressive system of taxation, lead to an unreasonable 'bunching' of liability. The point can be exaggerated, for a typical taxpayer with a diversified holding is, in fact, in a better position to spread realized than accrued gains, but it has an obvious force in the case of a person selling a single asset – perhaps a family business – which he has built up over a long period.

In view of this, and of the discouraging effect upon risk-taking which too high a rate upon capital gains might have (this is not an argument against any tax upon such gains; all taxation involves striking a balance between equity and incentive), there

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is much to be said for not subjecting them to the full rigour of progressive taxation. The practical solution might be to make them liable to income tax but not to surtax, or even to apply a special flat rate of, say, 30 per cent.

What should be the treatment of capital losses? Clearly they must be allowed as an offset, but not to such an extent as to involve the Exchequer in paying out large sums in refunds during a period of Stock Exchange slump, and thus inducing considerable budgetary instability. This could be avoided by providing that losses could be carried forwards but not backwards. This would mean that the yield of the tax, while it would necessarily fluctuate a great deal, could never be negative. It would follow automatically from the exemption of capital gains from surtax that capital losses should not be treated as an offset against ordinary income. Along these lines an equitable and effective capital gains tax could be constructed.

This and other measures of taxation reform would not be motivated by envy or a desire to 'soak the rich'. They would be designed to be fair, not merely as between different social groups, but also as between different taxpayers in roughly the same group, and to raise the necessary sums of revenue in the way that interfered least with incentive and initiative. These should be the aims of any good system of taxation, but they are not attained today.

9. IS BRITAIN CIVILIZED ?

THIS chapter is about the need to make this country a more civilized place in which to live. It concerns many subjects which are normally regarded as outside the scope of party politics. But they are nevertheless at least as important as many of the matters which are regularly chewed over by party propagandists.

There are three aspects to the discussion. First, there is the need for the State to do less to restrict personal freedom. Secondly, there is the need for the State to do more to encourage the arts, to create towns which are worth living in, and to preserve a countryside which is worth looking at. Thirdly, there is the need, independently of the State, to create a climate of opinion which is favourable to gaiety, tolerance, and beauty, and unfavourable to puritanical restriction, to petty-minded disapproval, to hypocrisy, and to a dreary, ugly pattern of life. A determined drive in these three directions would do as much to promote human happiness as all the 'political' legislation which any government is likely to introduce. It would also do something to break the paradox which this country presents to the world. Our standard of living is almost the highest in Western Europe, but our towns are the most dismal and the least well provided with amenities to be found in the region. It is not a combination of which we have any reason to be proud.

Liberalizing the Home Office

The first aspect is concerned with what are often called Home Office questions. It may be thought that Mr Butler's reforming zeal in this department has cleared most of them out of the way. As compared with his predecessors, Lords Kilmuir and Tenby, who were the most reactionary Home Secretaries since Lord Brentford in the twenties, he has certainly brought a mild breath of liberal air into this corner of Whitehall. But its effect should not be exaggerated. He has made a start with prison reform. He

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operates with moderate humanity the unsatisfactory Tenby compromise with the clearly expressed view of the House of Commons that hanging is a barbaric and useless penalty. After an effective political manoeuvre by Sir Alan Herbert he has overcome his colleagues' objection to a mild reform of the archaic and vague laws relating to the censorship of literature and has encouraged this to proceed as a private member's bill. And he has so far resisted the ardent desire of the Conservative Party militants that flogging should be reintroduced into our penal code.

All this is something. But it is certainly not equivalent to the wholesale reform of which the Home Office is still in urgent need. The ghastly apparatus of the gallows continues to exist, and is used much more often than was thought likely when the Homicide Act was passing into law. Britain, despite our much-vaunted social and political maturity, still stands out as one of the few advanced countries which retains this presumptuously final penalty.

The law relating to homosexuality remains in the brutal and unfair state in which the House of Commons almost accidentally placed it in 1885. This is despite the fact that Ministers have had before them for more than eighteen months the unanimous view of the Wolfenden Committee, appointed by the Government itself, in favour of removing the penalty of the law from the private behaviour of consenting adults. Mr Butler has made it clear that no action can be expected from the Government here; instead he has taken the other part of the Wolfenden Report, that dealing with prostitution, where the recommendations were a good deal less clear, and has legislated upon it in such a way as dangerously to increase police power. What is particularly hypocritical about the Government's refusal to act on homosexual law reform is that none of its leading members (nor those of any other major institution in the national life) apply social disapproval to conduct which, for public consumption, they insist on keeping subject to the full rigours of the criminal law.

These are by no means all the gross restrictions on individual liberty which are in urgent need of removal. There is the fantastic position by which the Lord Chamberlain, a Court official who may exceptionally have an intelligent playgoer's knowledge of the stage but never has anything more, possesses powers of absolute

censorship over all the public theatres of London; and has frequently and recently used it to force some of the most intelligent presentations into the semi-obscurity of private theatre clubs. There are the ridiculous and (fortunately) largely unenforceable Sunday observance laws. There are the betting laws, which make off-course betting perfectly all right for anyone who has a credit account with a bookmaker, but a criminal offence for someone who has not. There are the licensing laws, which may have been necessary to cope with the mass drunkenness of the early part of this century, but which are today an unnecessary restriction and would not be tolerated by any other European country. There are the divorce laws, which involve both a great deal of unnecessary suffering and a great number of attempts (many of them successful) to deceive the courts. There are harsh and archaic abortion laws. There is the persistence in the treatment of suicide and (more importantly) attempted suicide as a criminal offence, which is hardly likely to prevent the former and makes rehabilitation after the latter more difficult. And there is the administration of the immigration laws (affecting foreigners, not Commonwealth citizens) which would often be more suitable to a police state, terrified of intellectual infection from the outside world, than to a Britain which is the traditional refuge of the oppressed.

The list is long, but it is not exhaustive. Many could no doubt make their own additions to it. But, it may be asked, are not these questions, just because they are outside the range of party politics, irrelevant for discussion in a book of this sort? I do not think they are. In the first place, politics, whether conducted on a strictly party basis or not, ought to be much more concerned with these subjects than has recently been the case. Secondly, although debates on these issues have generally (but not always) been conducted without the aid of the Whips and with a certain amount of cross-voting, it would be a great mistake to imagine that there is here nothing to choose between the bulk of the two parties.

There is undoubtedly a libertarian fringe to the Conservative Party. In the long task of steering the Obscene Publications Bill through the House of Commons, in which I have recently been engaged, the cooperation of some Conservative members has

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been invaluable. Without their help it would have been impossible to have got through this modest measure of reform. Equally there are in the Labour Party a few members whose views on these libertarian issues are as obscurantist as are to be found anywhere in this country. But both groups are very much in the minority within their own parties.

The point is illustrated by the death penalty votes. In the key division on the second reading of the abolition bill (before either the Government Whips or the Conservative constituency associations had begun to apply their pressure) there were 288 votes for the bill and 264 against. The 288 favourable votes came from 5 Liberals, 47 Conservatives, and 236 Labour members. The 264 unfavourable votes came from 258 Conservatives and 6 Labour members. To get a completely fair picture, the number of Conservative votes for the bill should perhaps be increased by the 10 or 12 Ministers who deliberately abstained and who, had they enjoyed the comparative freedom of Opposition front-benchers, would no doubt have voted for the bill. But the difference between the pattern of votes on the two sides remains enormous.

Two other examples, taken from the thin votes which are characteristic of Fridays, the day on which these issues are commonly debated, show the same trend. In 1951 a private Member's divorce bill was given a second reading by a vote of 133 to 62. Despite the Labour Attorney-General's having spoken against the bill, the majority was made up of 108 Labour Members, 6 Liberals, and 19 Conservatives. The minority was made up of 47 Conservatives and 15 Labour Members. In 1958 a motion for a Select Committee to inquire into the Sunday observance laws (with a view to their relaxation) was brought before the House of Commons. It did not proceed further than a procedural vote, but at that stage 56 Members supported the motion and 33 opposed it. The 56 was made up of 48 Labour Members and 8 Conservatives. The 33 was made up of 20 Conservatives, 2 Liberals, and 11 Labour Members. Both the Liberals and 5 of the Labour Members voting against the motion came from Welsh constituencies and no doubt reflected rather special local feeling.

It is therefore clear that on a wide variety of libertarian issues the balance of feeling within the Conservative Party is very different from that within the Labour Party. There is another point to be taken into account. The votes mentioned were all 'free' in the parliamentary sense that the Whips on both sides made no attempt to suggest that issues of party loyalty were involved. But the Conservative Party machine in the country is rapidly destroying the institution of 'free votes'. One of the major counts against Mr Nigel Nicolson in Bournemouth was that he had voted against hanging. This caused him almost as much trouble as the fact that he had abstained on Suez.

In North Belfast, moreover, Mr Montgomery Hyde, who has never differed from the Government on any strictly 'political' issue but who has been a notable libertarian, has recently been disowned by his constituency association. Neither Mr Nicolson nor Mr Montgomery Hyde will be in the next Parliament if their local Conservative associations have anything to do with the matter. This means not merely the likelihood of constant depletion of the libertarians in the Conservative Party; it also means that those who themselves escape the axe will have some very discouraging political corpses to reflect upon. There is not much advantage in being occasionally freed of the Whips, if this means being thrown on the mercies of the Major Grants of Bournemouth.

Let nobody believe that Major Grant is an unique figure. He is no more illiberal than the many local Conservative Association officers who, until Suez gave them a really inspiring policy to support, found their political passions most fully engaged in insisting that hanging should continue and that Members of Parliament should not be paid enough; or than the delegates who bayed with such enthusiasm for the return of flogging at the last Conservative Conference; or even than those who at the same gathering assaulted a few interrupting members of the League of Empire Loyalists with a brutality which has not been seen in British politics since the decline of Sir Oswald Mosley and the British Union of Fascists.

The Labour Party is much better than this. It does not assault interrupters, however objectionable they may be; and on the

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narrow issue epitomized by Bournemouth or North Belfast it is impossible to recall a single instance of a Labour Member having got into serious difficulties with his constituency supporters, let alone being refused readoption, because he was too bold in advancing libertarian causes.* On the wider issue the case should not be over-stated. A Labour majority would not automatically result in the achievement of all the reforms listed. A great deal would depend on the reforming zeal and liberal spirit of the man who became Home Secretary. And however well endowed he was with these qualities, he might still have difficulty on some points. There are many Labour Members who, despite the forthright speeches on the issue of their front-bench spokesmen, would at present be hostile to the implementation of the Wolfenden recommendations dealing with homosexuality. An attempt at licensing reform might encounter similar difficulties, particularly from the 'Celtic fringe'.

Nevertheless there is much that a strong Home Secretary could accomplish, even in these two difficult fields. And there is certainly far more to be hoped for from a Labour Home Secretary than from even the most liberal figure on the Conservative front bench, and a far better chance of effective parliamentary support for liberal causes the more the balance in the House of Commons is tilted towards the Labour Party.

Support for the Arts

The second aspect of the question concerns the duty of the State to encourage the arts and to preserve and promote the amenities of our towns and countryside. Government grants for the arts are at present exceedingly small. They amount in total to £6½ million a year – barely one-eighth of 1 per cent of

* The case of Mr Stanley Evans, which may occur to some readers' minds, provides no exception to this principle. Mr Evans, whose views on Home Office questions were in no way notably libertarian, quarrelled with his constituency Labour Party on a specific political issue. He immediately resigned and a by-election ensued. Had he been as pertinacious as Mr Nicolson or even Mr Hyde, it is extremely probable that an arrangement could have been reached by which he retained both his views and his seat.

Budget expenditure; and the greater part even of this tiny sum goes on the regular maintenance costs of national institutions like the British Museum and the Victoria and Albert or upon the upkeep of ancient monuments. As a result the great national collections have a derisory sum available for new acquisitions. The National Gallery has been scraping along on a purchase grant of £12,500 a year, supplemented by occasional special grants. At a time when a single picture can cost £200,000 this sum is clearly inadequate for a planned programme of acquisition, such as is essential if the gallery is to maintain its position as a great representative collection and if the export of many outstanding works is to be prevented. Even the Government has now recognized this, and the scale of grants has recently been somewhat improved. But much damage has already been done, and the new position still falls far short of the £150,000 a year which the trustees consider necessary for the proper fulfilment of their function.

The Tate Gallery has been even worse treated. Until recently it received no annual purchase grant at all. One of £10,000 – less than half the amount the London County Council spends on works of art for its schools, housing estates, and public buildings – was then authorized. This has recently been somewhat increased; but the gallery, making excellent use of its limited resources, has achieved high attendance figures and a world reputation in spite of, rather than because of, the attitude of the Government. Provincial museums and galleries receive virtually no Government assistance; and many of them, less helped by private benefaction than used to be the case, find it difficult to maintain their buildings and pay their curators, let alone to add to their collections.

The Arts Council receives a total grant of £1,100,000. For various reasons only about three-quarters of this is available for grants to specific institutions. Opera and ballet received £531,000 last year, of which £302,000 went to Covent Garden. The figure could hardly be less if the Royal Opera House is to carry on at all, for despite this assistance it has an accumulated deficit of £150,000, and very highly-priced seats. Nevertheless it makes a big hole in the total available to the Arts Council. It means that

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assistance in other directions must be spread very thin indeed. Last year only £70,000 was available for drama as a whole, with £20,000 going to the Old Vic. Symphony orchestras get almost nothing, and as a result the pay and conditions of work of the musicians are worse than those of their opposite numbers overseas. They have too little time for rehearsing new work because financial pressure makes it necessary for them to give more than twice as many concerts as most European orchestras.

The provinces inevitably do rather worse than London – the £302,000 for Covent Garden ensures that. But it is no use blaming the Arts Council for this and other deficiencies. It does the best it can with the wholly inadequate funds at its disposal. The only effective answer is not a reallocation but a big increase in the amount of money available. So long as we have a situation in which a single German town, such as Hamburg, makes half as much money available for opera and drama as we do in the whole of this country, so long as in this respect we limp behind Italy, France, even a small country like Denmark, and almost all our other neighbours, so long will this country offer totally inadequate facilities to its creative talent. The National Theatre is still a dream. So far from its being realized, theatres continue to close down all over the provinces. Over a hundred have gone in the past twenty-five years and almost the only example of a replacement is the strikingly well-designed municipal theatre in Coventry.

A switch to a new Government policy of moderate generosity would make the world of difference to the whole climate of our cultural life. The amount of money needed would not be enormous. Let us suppose the money available were increased to £15 million – which would make the Arts Council, the trustees of the Royal Opera House, those in charge of our national collections, and many other struggling bodies think they had awakened to a new millennium. We should still only be devoting .3 per cent of Budget expenditure or .1 per cent of national income to these ends. It would be money well spent, and provided the Government did not run away from a few newspaper squeaks, I do not believe that it would be opposed by the main body of public opinion.

Some of the money might come, not from national, but from local sources. The 1948 Local Government Act, introduced by Mr Bevan when he was Minister of Health, empowered local authorities to spend up to a 6d rate upon the entertainment of their citizens. In practice little use has been made of these powers. Only one authority spends as much as a 2d rate on such purposes. It is central to our system of local government that the decision to use or not to use powers such as these should be left to the individual local authorities themselves; but if some of the £15 million could be used as an encouraging percentage grant to the local authorities (which they would only get to the extent that they provided some of their own resources as well), this would help to spread a cultural revival over the whole country. Even the best-intentioned national bodies are apt to be a little centralized and 'London-minded' in their approach.

Public generosity in the provision of leisure facilities should not be confined to the arts. As a nation we take a great interest in sport. But the opportunity for active participation is for many people far too limited. More swimming baths, cricket pitches, running tracks, and playing fields of all sorts are all urgently necessary. In some cases much fuller use could be made of those which already exist. The Labour Party has suggested that a Sports Council (analogous to the Arts Council) should be set up and charged with improving their facilities: but no piece of administrative machinery can do the job unless it is provided with adequate funds. A Labour Government must be generous in this field too.

Planning for Amenity

The local authorities have a still more important role to fulfil in improving the towns and preserving the countryside. They are the planning authorities and they are responsible for much of the new building. But their powers depend upon the framework laid down by the central Government; and they are also influenced in the standards they apply by the lead which they get from Whitehall. Over the past few years the planning framework has been virtually destroyed. The Labour Government's Town and Country Planning Act had its faults. In some respects it was

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excessively complicated and it sometimes caused unnecessary inconvenience to private citizens. But it was immensely better than the present state of affairs. Planning powers have now been so emasculated that for urban sprawl, ribbon-development, the violation of green belts, the spoliation of attractive landscape, and the destruction of village homogeneity, we are back to the worst days of the thirties. Mr Macmillan, as Minister of Housing and Local Government, succeeded in building 300,000 houses a year. But he also succeeded, rather strangely for such a self-conscious representative of English traditional values, in doing more harm to the countryside than any Minister for at least twenty years.

This process cannot be allowed to continue. If the speculative builder is permitted to operate wherever he can find a convenient, undeveloped site, or even if individuals are allowed to build a house for themselves in any position which catches their fancy, there will, in twenty years' time, be no country worth looking at in either the Midlands or the South of England. This is a clear example of a conflict between individual selfishness (or thoughtlessness) and the general good. The man who is prevented from scarring an unspoilt landscape by erecting a gabled villa, set in its raw rectangle of garden, upon the crest of a hill, will no doubt feel aggrieved. But the damage he might do for years to come to thousands of other people's enjoyment would be far greater than the inconvenience he himself would suffer through having to put his house in a less anti-social position. Whether such a planning policy would on balance be popular is open to question; but, regardless of votes, it is the duty of any party with a respect for the future amenities of life in this island to operate it.

A rough analogy is provided by the problem of smoke abatement. Superficially it is much more convenient for householders or factory owners to be allowed to burn what fuel they like and to belch as much pollution as they choose into the air. But smog kills thousands of people a year, means long periods of ill-health for tens of thousands more, and makes the lives of big city dwellers unnecessarily gloomy on up to thirty days a year. Is there not a case for a measure of social control here? Pittsburgh, which used to be a by-word for the squalor of its atmosphere, has

completely transformed itself by smoke control and is now one of the most attractive industrial cities in the United States. Are we not capable of equally imaginative policies? It would be insane to frustrate them by extending the principle of consumer's choice, which I believe to have great value in its proper field, into areas where it is utterly meaningless.

Public authorities, as well as individuals and private concerns, are capable of acts of selfishness. The Central Electricity Authority and the Atomic Energy Authority have done their fair share of desecrating the countryside. It is important that they too should be checked. In some cases the Government can and should offer financial inducements for good planning. Local authorities, when they build outwards instead of upwards, are impelled by a variety of motives, but it is important that the much greater cost of high building should not be amongst them. It is worth a great deal of Government subsidy to ensure that when cities have to grow, they do so in the right direction.

On the whole, however, public authorities offend much less against the rules of planning and of good design than do private concerns. There have been very few buildings of architectural distinction erected in Britain since the war, but those that exist are mostly in the public sector. London Airport, the Festival Hall, new schools in Hertfordshire, London, and other go-ahead areas, and the Pimlico housing scheme are some of those which come to mind. Compare the L.C.C. housing project at Roehampton, which is a positive addition to the skyline of London, with any private residential scheme, for houses or flats, which has been constructed or even envisaged.

It is not that private concerns have not had their chance. The rebuilding of the City of London gave them one of the greatest opportunities of the past three hundred years. A huge area was laid waste in the square mile where there is the highest concentration of commercial wealth to be found anywhere in England. Neither space nor money was lacking. Yet the result is an unimaginative and rather claustrophobic series of dismal rectangles. It is particularly ironical that the distinguished City newspaper of which the chairman of the Royal Opera House is managing director should just have completed one of the most

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hideous of these buildings. The T.U.C., not always thought of as a pillar of the aesthetic movement, has done incomparably better with its new offices in Great Russell Street. Private enterprise has some virtues, but in Britain (with a few very honourable exceptions) these do not comprise the wit to patronize good architects or the imagination to carry out a piece of effective town planning. If our countryside is to be preserved, if our cities are to be rescued from blight, and if the present age is to leave any monuments more inspiring than the National Farmers' Union building in Knightsbridge, it will depend upon public and not upon private authorities. Let us make sure that we give the public authorities the money, the powers, and the inspiration to do their jobs properly.

The third topic laid down for this chapter is the one with which it is most difficult to deal in a political book. It was defined as the need to campaign for a general climate of opinion favourable to gaiety and tolerance, and opposed to puritanical restriction and a drab, ugly pattern of life. It is not really a job for politicians, of course, although they, like any other leaders of opinion, can do something to set the tone. Perhaps bodies like the Anti-Ugly Association, or the Council for the Preservation of Rural England, or the Society Against Racial Discrimination, or the Brighter Sunday Association can do much more. But the important thing is to encourage them all, and to recognize that one form of intolerance breeds another and one type of drabness makes another more likely. Let us be on the side of those who want people to be free to live their own lives, to make their own mistakes, and to decide, in an adult way and provided they do not infringe the rights of others, the code by which they wish to live; and on the side too of experiment and brightness, of better buildings and better food, of better music (jazz as well as Bach) and better books, of fuller lives and greater freedom. In the long run these things will be more important than even the most perfect of economic policies.

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